

JPRS 81838

23 September 1982

West Europe Report

No. 2035



FOREIGN BROADCAST INFORMATION SERVICE

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23 September 1982

WEST EUROPE REPORT

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POLL FINDS THAT ONE-FIFTH HAVE SIGNED ANTINUCLEAR PETITION

Oslo AFTENPOSTEN in Norwegian 28 Aug 82 p 3

[Weekly Gallup Poll: "Every Fifth Person Said No to Nuclear Weapons"]

[Text] About one-fifth of the population (21 percent of those polled), signed the campaign "No to Nuclear Weapons" according to a poll carried out by Norges Markedsdata around the end of June this year.

This a group which is estimated to be 600,000 people of the over 3.1 million over age 15 here in the country. On 10 June 540,268 signatures were delivered to the Storting. The results of the poll, according to Norges Markedsdata, indicate that a large number of the signatures were obtained before vacation, and that many more signatures could have been obtained in a campaign about nuclear weapon limitation generally. An additional 48 percent of those polled answered that they could have signed a petition of "No to Nuclear Weapons" if they had been asked. Seventeen percent said that they did not sign or would not sign, while 14 percent were in doubt whether they would sign or not if they had been asked to.

The results show that there were more signatures by women than by men, and fewer from people over 60 than from younger. The great differences, however, were found when one looks at the political sympathies of those polled. A majority of the voters for the Socialist Left Party and many of the voters of the Liberal Party said that they had signed, against one-tenth of those who voted for the Conservative and Progressive Parties. But also among those voters there were many who would have signed provided that an eventual nuclear disarmament would take place according to certain guidelines.

Next week's Gallup will inquire into how nuclear weapons limitation should take place, and how important it is to maintain the military balance of power.

9287

CSO: 3108/152

CRITICISMS OF MITTERRAND'S ANTI-TERRORIST POLICIES IN PSF

Paris LE MATIN in French 23 Aug 82 p 2

[Interview with Raymond Forni, president of the Law Committee of the National Assembly and vice president of the National Committee for Data Processing and Freedom, by Alexis Liebaert: "Anti-Terrorist Struggle: Forni's Criticisms -- To Defend National Sovereignty"]

[Text] The (PS [Socialist Party]) president of the Law Committee is surprised that the creation of a central file was not submitted to the "Data Processing and Freedom" Committee.

Are the measures decided on to fight terrorism, which were announced last Tuesday on television by Francois Mitterrand and developed the next day by the Council of Ministers, of such a nature as to give rise to the emergence of a new debate within the left? Or, on the contrary, are all of the officials in power, at the Elysee Palace, in the government, in the National Assembly and within the parties, in agreement with the policy thus defined? To find out, we interviewed Raymond Forni, president of the Law Committee of the National Assembly and vice president of the National Committee for Data Processing and Freedom.

With regard to the creation of a central file on terrorism, the socialist leader only made formal criticisms: he regrets that the committee was not, as foreseen by the law, called on to handle this matter before the file was set up, which goes back to 24 May.

His criticisms of the plan for a European court, which was mentioned on TF1 [French Television - Channel 1] by the president of the Republic, are more serious. Whether it would have to pronounce judgment on "crimes of violence" committed by terrorists or whether it would have to deal with the problem of extradition, this new court of law worries Raymond Forni. It would, in his opinion, be dangerous to give up certain aspects of our national sovereignty in favor of this new court.

The debate has in any case been opened on the left. And everything leads one to believe that, considering the personality and the functions of the person who opened it, it will not stop there.

Question: Faced with terrorism, is the left in power in the process of forgetting the major principles it used to defend in the opposition?

Raymond Forni: It would be a mistake either to say it or to believe it. It should be recalled that in the face of terrorism, the sole response of the right was the implementation of special legislation. Francois Mitterrand, on the other hand, made it clear the other evening that our laws are adequate to face any situation and that it is enough to implement them vigorously. Which shows that he has no intention of renouncing in any way the ideas which the left defended yesterday as it does today.

Question: In this perspective, what is the opinion of the vice president of the National Committee for Data Processing and Freedom on the creation of a computer file for the fight against terrorism?

Forni: A positive opinion to the extent that there are already computer files, whether they involve gangsterism, tax fraud or other problems. Thus, I don't see any reason to be opposed to the computerization of a file directly related to the search for those who practice terrorist activities. And I would specify that there is no question at all of taking advantage of the occasion to put all Frenchmen or a large number of them on file, as occurred in the Federal Republic of Germany.

Question: What assurances do you have exactly on this point?

Forni: We will examine these assurances when the National Committee for Data Processing and Freedom studies the file, which it will receive from the Ministry of the Interior. If the Committee does not consider the guarantees included as adequate then it will be led to reject the action on this file.

Question: Was the National Committee for Data Processing and Freedom consulted prior to the creation of this new computerized file which goes back, according to Francois Mitterrand, to 24 May?

Forni: As you know, the Ministry of the Interior has a vast number of files, whether computerized or not. We haven't examined all of them yet, for lack of time. For a long time, information on terrorist activities has existed in various files, at General Information, at the DST [Directorate of Territorial Surveillance] and, it is said, at the former SDECE [Foreign Intelligence and Counterintelligence Service]. This time it is a matter of bringing it all together and adding information provided by foreign police forces within the framework of cooperation among states.

Question: Was the National Committee for Data Processing and Freedom consulted, as prescribed by law, prior to the creation of this new computerized file?

Forni: No, and yet, when existing files are joined together to create one, which ultimately becomes a new one, then it is obligatory to declare this new file to the Committee. And I must tell you that personally I would have liked the Committee to have been called upon before 24 May. It is indeed abnormal for its members to hear on television that a new file has been in existence for 3 months. But it must be said that all of that is due to the problem of the discovery of the multiplicity of existing files at the Ministry of the Interior.

Question: During his television appearance, Francois Mitterrand launched the idea of a European court, the function of which still seems imprecise. What does the president of the Law Committee of the National Assembly think about this?

Forni: What is involved, as the president of the Republic noted, is to pass judgement on crimes of violence connected with terrorism; I think that it is an interesting idea. But I believe that within the framework of the current fight against terrorism, it has little chance of being effective. First of all, because it will have to be discussed with our partners and because this can be done only within narrow limits: there is no question of our giving up the criticism we have always leveled at the idea of a European judicial area. This court would, in any case, have two advantages: prevent the court of law which passes judgement on the bloody terrorist acts from suffering pressures originating with one or another directly related state, and ensure widespread publicity for its debates. Having said this, weighing these advantages and the disadvantages which such a court would present (I am thinking of the abandoning of our national sovereignty to it), I am more than cautious with regard to this idea. There are other solutions for trying the terrorists. And, for example, as proposed by Robert Badinter at the time of the repeal of the "Security and Freedom" act, to turn to professional magistrates in the event that it would be impossible to empanel a court of assizes jury.

Question: And what if the court mentioned by Francois Mitterrand were to be called upon to handle extraditions, as last Wednesday's communique from the Council of Ministers would lead one to suppose?

Forni: If it is a question of a court of law tied to extradition, then I would be even more guarded. To give a European court the power to assess and to order extraditions would come down to taking up again the proposals made by the previous government within the framework of the European judicial area. Extradition is an act of national sovereignty which cannot be renounced, because it is intimately tied to the idea a government has of the scope of freedom it intends to defend.

6463
CSO: 3100/322

FINLAND'S STATE OIL FIRM TO INCREASE PURCHASES FROM NORWAY

Helsinki HELSINGIN SANOMAT in Finnish 20 Aug 82 p 26

[Text] Naantali (HS)—Neste has signed a long-term agreement with the Norwegian state oil company, Statoil, to ship crude oil to Finland. The 5-year agreement provides for the importation of about 300,000 tons of oil a year from Norway. Last year Neste imported 100,000 tons of Norwegian oil.

According to general manager Jaakko Ihamuotila, after the pilgrimage season is over at the end of September, Neste representatives will be leaving for Saudi Arabia to negotiate a new, 3-year agreement with that country's state oil company, Petromin. Ihamuotila told HELSINGIN SANOMAT that Neste's objective is to obtain an agreement similar to the 3-year agreement now ending which would guarantee from 1 to 1.5 million tons of imports a year.

Neste's chief oil-trading partner is, nevertheless, the Soviet Union, from which the company will buy 8.5 million tons of crude oil this year.

Oil Assessed 4 Billion Marks

In Naantali on Thursday in connection with Neste's Naantali refinery and also the 25th anniversary celebration of the Finnish oil-refining industry, Ihamuotila drew comparisons in the assessment of the different forms of energy and found that oil was unfairly taxed in comparison with electricity. Oil was assessed 4 billion marks this year, but electricity only 600 million marks.

Oil's share of the entire energy economy is 40 percent and electricity's almost the same, 35 percent. Ihamuotila wondered why oil is, however, assessed eight times more than electricity.

In Ihamuotila's opinion, energy users must not be forgotten when comparing impartiality in taxation. That portion of the tax that covers the price of heat is at present greater percentage-wise for oil heating than the portion of the tax on electricity involving direct electric heating. Thus in terms of taxation, electric heaters are favored at the expense of oil heaters.

In Ihamuotila's opinion, concentrating energy taxation purely on imported fuels cannot be considered to be in the long-range interests of the national economy.

Finland's fuel imports come from the Soviet Union and, on the other hand, fuels account for 90 percent of all our Soviet imports. In Ihamuotila's opinion, raising taxes on imported fuels would thus be the same as imposing taxes on imports that happen to come from the Soviet Union.

In practice, all of Finland's oil needs are met within the framework of bilateral trade. Ihamuotila submitted that, when payments for oil get entangled with purchases from Finland, surtaxes directed against oil wind up reducing both employment in the export industry and the effectiveness of the national economy.

Consumption Will Also Drop This Year

Neste's oil production has now been declining for 3 years in a row. Since production has declined by 7 or 8 percent over the past couple of years, Ihamuotila believes that the drop in production will come to 5 percent this year. The reduction will affect heavy industry products most because the sale of heavy fuel oil declined by 11.6 percent between January and June. During the same period the consumption of gasoline rose by 2.4 percent.

General manager Jaakko Ihamuotila said that, while consumption of oil products has now been declining for 3 years and was, for example, during the first half of this year 6 percent less than during the corresponding period last year, Neste Oy's operational results may be regarded as satisfactory in comparison with the development of the industry elsewhere in Europe.

According to Ihamuotila, Neste's sales volume during the first half of the year was 13 percent greater than during the corresponding period last year. Due to price reductions, however, the total return for the year will probably remain at last year's level, or about 16 billion marks.

This year Neste's Porvoo and Naantali refineries are undergoing major alterations and annual repairs amounting to about 400 million marks, which are aimed at raising the quality of refining operations. Repairs on the old Naantali refinery, which is celebrating [its anniversary], will cost 120 million marks this year.

President Mauno Koivisto with his wife and, judging from what we could see, the cream of Finland's entire business, political and administrative communities celebrated Neste and the Finnish refining industry's 25th anniversary on a windy and rainy Thursday in a tent set up on the grounds of the Naantali refinery.

In honor of the celebration, Neste had handsome medallions weighing a half a kilogram struck, which were distributed to 180 persons who had worked for the company for 25 years.

On that occasion, Ulf Sundqvist, the chairman of Neste's advisory board, announced that Neste had established a foundation bearing the name, Uolevi Raasi, affiliated with the Finnish Culture Foundation. The company has donated

... to the foundation. The purpose of the foundation is to support empirical research on the economy that has to do with Finland's postwar industrial and economic development effort.

Furthermore, on Thursday the company issued a book, "From Neste Oil to Plastics," which is the first Finnish-language book having to do with the oil and petrochemical industry.

Raise Domestic Production Level

In the opinion of Commerce and Industry Minister Esko Ollila (Center Party), the level of domestic production of energy is still the central issue in our energy policy. At the present time we are meeting 30 percent of our energy needs with domestic fuels and water power. "We can raise this percentage still higher," Ollila estimated, while conveying the government's greetings on the occasion of Neste's 25th anniversary celebration.

According to Minister Ollila, we need a strong contribution in terms of the utilization of our domestic biomass — wood, peat and straw — to promote research and development efforts and marketing. A sharp increase in the use of these fuels will require, among other things, the achievement of sufficient efficiency in household heating.

11. 11. 1971

SUPPLY, CONSUMER PRICING OF NATURAL GAS

Hamburg DER SPIEGEL in German 6 Sep 82 pp 66-69

[Unattributed article: "In and Out"]

[Text] Though natural gas use is down, prices remain high.
The gas market is well in hand.

Klaus Liesen, chairman of the board of Ruhrgas AG in Essen has done a good job of providing for the future. Western Europe's largest importer of natural gas already has "firm contracts for gas deliveries beyond the year 2000."

But Liesen is not all that happy about this achievement because the customers are making more and more sparing use of the expensive fuel. Thus, he really does not know what to do with all the gas he has bought.

The big industrial and power plant customers used 20 percent less gas last year. They either used coal or shut down some generators temporarily. Gas usage dropped down to the 1978 level.

In such a situation it would make sense to try to increase sales by lowering prices. Cheap natural gas might make people switch from fuel oil and contribute to lesser dependence on expensive oil imports in the bargain.

But instead, the gas industry is cutting down on imports from Holland, Norway and Russia insofar as the minimum delivery clauses permit it. During the first half of this year, 7 percent less gas was imported from these countries than during the same period last year. Gas deliveries from domestic FRG fields, which make up about one-third of the total, were even reduced by 17 percent.

It is easy to explain why the gas industry is not interested in lowering prices or in engaging the oil suppliers in heavy combat—the biggest natural gas suppliers in the FRG belong to the biggest oil companies.

If the unions at Briggitta and Elwerath, for example, which produce most of the natural gas in the FRG negotiate with market leader Ruhrgas AG, then the oil multinationals are all among themselves. Briggitta and Elwerath are subsidiaries of Esso and Shell who, along with BP, Texaco and Mobiloil, determine Ruhrgas AG policy. And if it happens to be Dutch natural gas, which makes up 52 percent of FRG needs, the Netherlands Gasunie is among friends, too—Esso and Shell each hold 24 percent of its stock. The remainder is held by the Dutch government.

Under the circumstances, price is not much of a topic for discussion. The gas price is tied to the oil price as part of the "model formula," as Liesen calls it, devised by Ruhrgas AG. This formula has proven itself as a successful system for maximizing profits. It prevents an oversupply of natural gas which might force oil prices down.

There is no government price control on gas as there is on electric power. The energy economy law merely says that gas must be supplied "at the lowest possible prices."

As to what is possible, that is up to the gas industry. Households and small users, the so-called "rate customers," must pay the highest prices. Big users, the so-called "special contract customers," are charged on an individual basis according to the principle of "applicability."

"Applicable price" is determined on the basis of whether a firm is in a position to switch to other, less expensive fuels. Such customers then get their own meter.

The result is a total chaos of prices. The Hanover association of energy users which compares prices charged to 26 special contract customers every 6 months has recently found that surcharges as against last year range between 3.5 percent and 33.6 percent from Munich in the south to Celle in the north. The gas bills of comparable customers vary by as much as 40 percent.

The price situation is even more confusing in the case of municipal gas companies. They purchase their natural gas from a regional distributor or from private firms and themselves only send their metermen to the individual customers.

The Pinneberg gas works, just 20 kilometers north of Hamburg sell their gas for up to 15 percent less than the gas works in Hamburg proper. Strange to say, Pinneberg gets its gas from Hamburg.

The Osnabrueck gas works doubled the price of gas in less than 2 years; but this year, they lowered it by exactly 5 percent.

The distributors for their part are taken to the cleaners by the pipeline companies which supply them. Since 1979, the price the Osnabrueck gas works pay for their gas rose by 131 percent for instance.

The gas business did not really get profitable until recently. Only 20 years ago, the gas industry supplied a mere 0.8 percent of West Germany's primary energy needs; today's figure is 17 percent. 5.5 million homes are heated by gas; another 2.5 million are to be added in the eighties.

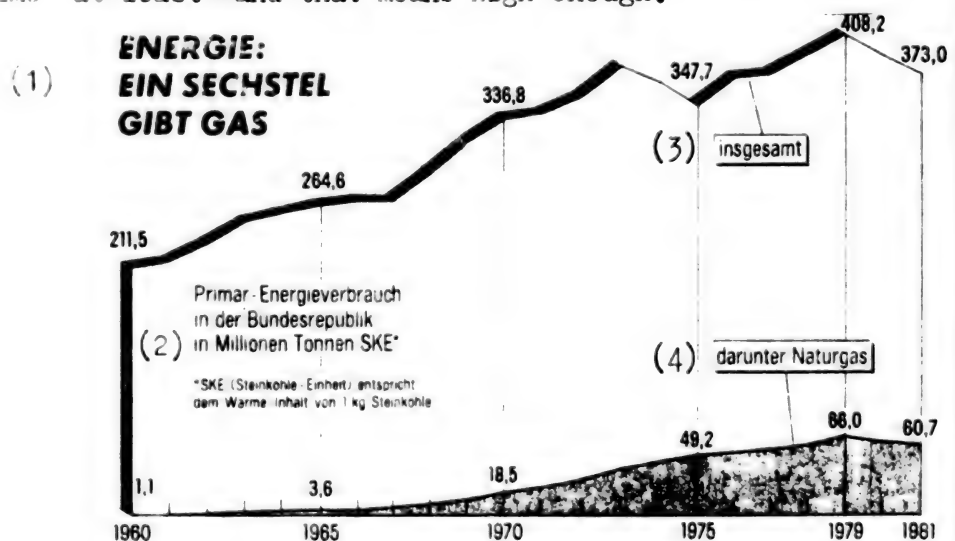
When the slogan "oil is out, gas is in," the gas industry concentrated on industrial households where they can charge most for their product. Another slogan says "gas is cheap." The result has been "a veritable consumer revolution" switching from oil to gas," according to Liesen.

... with rate customers turned out so well that the gas producers even began to pay less attention to their industrial customers. When big users asked for long-term delivery pledges, the suppliers suddenly made it appear as though there were a shortage of gas and started charging higher prices to their industrial customers.

In 1981 alone, 250,000 new gas customers were added to the rolls. The number of homes connected to the net was "limited only due to a shortage of servicemen and technicians," Liesen says. The boom came to a dramatic end and gas prices promptly started to rise again. As for the customers, they reacted by economizing. The unwelcome consequence is that the gas works register variations of up to 20 percent in the amount of gas used.

At that point, the gas companies remembered their old industrial special contract customers once again. To make up for the ups and downs in household use, the gas companies are trying to get industry to go back to coal, electricity and oil for heat during peak hours. But to make these arrangements stick, the companies will have to allow for sharply lower prices.

The new formula Liesen has devised to sell more gas to the electric power plants again will cost a lot of money as well. For the power companies, the price of gas would not be pegged to oil as before but to coal which costs only half as much. As for household gas, prices are going to be "stable for some time" at least—and that means high enough.



1. Energy: Gas Accounts for One-Sixth
2. Primary energy use in FRG in millions of tons of hard coal units.
One such unit equals caloric content of one kilogram of hard coal
3. Overall
4. Share of natural gas

SURPLUS IN CLEARING TRADE WITH USSR CONTINUES TO WIDEN

Helsinki HELSINGIN SANOMAT in Finnish 19 Aug 82 p 27

[Article by Juhani Huttunen: "Eastern Trade Surplus Easing; Soviet Debt Has Already Climbed to Over 5 Billion Marks"]

[Text] The evolution of the money market is continuing in the same direction it has before now. Convertible foreign currency reserves are diminishing, but fixed reserves are rising. The national economy's deficit is relieving the money market, but investment deposits at the Bank of Finland are growing and pinching the money market.

At the end of July the Bank of Finland had 6.5 billion marks in convertible foreign currency, a billion less than at the end of the year. The convertible foreign currency reserve declined in July too and pinched the money market.

The decline in convertible foreign currency is primarily due to a difference in interest rates between Finland and foreign countries.

In general it does not pay for importers to obtain high-interest foreign credit. On the other hand, it does in general pay for exporters to keep their accounts receivable abroad for as long as possible on the basis of the amounts of foreign currency involved and the firm's readiness to pay. Foreign exchange credit does not interest firms as much as it once did.

The dollar interest rate has begun to drop. So far people apparently do not believe in the permanence of this decline since the exchange rate of the dollar is still high.

Eastern Trade Surplus Easing Market

The Bank of Finland's fixed foreign currency reserve grew by nearly 600 million marks in July. There were 4,908 billion marks in accounts receivable in fixed accounts at the Bank of Finland at the end of the month and 5,188 billion marks at the end of August.

This year and last year the growth of fixed foreign currency reserves — aside from the national deficit — has been the factor most responsible for relieving the money market. When the Bank of Finland's fixed foreign currency reserves

...and practically entirely of rubles, we may conclude that the Soviet Union's debt is already over 800 million rubles. Therefore, the 150-million-ruble credit limit has been surpassed because of the export surplus in trade with the Soviet Union.

Investment Deposits Growing

The net amount of credit the Bank of Finland granted business firms dropped by 241 million marks in July, which pinched the money market. Investment deposits increased in July too. They amounted to 1.49 billion marks at the Bank of Finland at the end of July, 64 million more than at the end of the year. Even more new investment deposits are being made than old ones withdrawn. Thus investment deposits have not provided additional relief for the money market as was still believed during the first half of the year.

The national economy showed a deficit in July and eased the money market. National reserves in the amount of 190 million marks were withdrawn from the Bank of Finland and probably more than that from the Post Office Bank (PSP) because PSP daily deposits dropped by 613 million marks.

Credit Growth Slows Down

The growth of commercial bank mark credits accelerated until May. This growth slowed down in June and July. In 12 months time commercial bank mark credits have increased by nearly 17 percent.

Foreign exchange credits decreased in July. In 12 months time they have increased by just under 6 percent. There are very big differences in the growth of foreign exchange credits among the different banks. Some banks' foreign exchange credits have increased by as much as from 20 to 50 percent while others' have greatly decreased.

Growth of Deposits Slowed Down

Commercial bank deposits increased rapidly last winter and spring. During the past 3 months their growth has noticeably slowed down.

The borrowing of marks from commercial banks grew rapidly until May. Since then, growth has slowed down. In 12 months time the borrowing of marks from commercial banks has increased by 14 percent. The reason for the slowdown is probably largely attributable to chance factors. The July decline in checking accounts is a normal seasonal phenomenon.

The commercial banks' "other balance items" changed very much in July. This was due to a noticeable reduction in cash on hand and changes in the transmission of payments, among other things.

Central Bank Debt Just Under 1.5 Billion

Central Bank funding of commercial banks declined by 937 million marks in July, amounting to just under 1.5 billion marks at the end of the month. It was only that small in January of this year and in the summer of 1979 when money market activity was exceptionally light.

The Central Bank debt did not, however, decline until the very end of the month, perhaps temporarily. In July the average monthly amount of Central Bank funding was 2.7 billion marks, only 400 million marks less than in June. And similarly, the supplementary interest charge incurred by this debt did not drop by very much in June. Therefore, the money market situation may be regarded as having remained pretty much the same as it has been throughout this year.

Bank of Finland	Balance	Change	
July 82	30 July 82	July	Since July 81
	(in millions of marks)		
1. Foreign currency reserves	9,791	+530	+1,976
2. National deposits, net	-1,176	+190	-1,175
3. Credits to businesses, net	2,948	-241	+ 795
4. Cash reserve deposits	-2,777	- 45	- 381
5. Foreign currency	-5,706	+ 46	- 540
6. Other items, net	-3,550	-155	+ 100
7. Total (= banks' net debt)	- 471	-325	- 774
8. + FSP's daily deposits	-1,025	-613	- 201
9. = Central Bank funding of commercial banks	-1,496	-937	- 976

(The average monthly figure for daily interest on credits was 11.5 percent, the same as in June.)

Commercial Banks in July

	(in millions of marks)		%
10. Mark credits	36,751	+127	+17
11. Foreign currency credits	8,511	- 35	+ 6
12. Cash reserve deposits	998	+ 14	+15
13. Other balance items	-10,545	-1,533	
14. - Central Bank funding	1,496	-937	-39
15. = Borrowing:	34,219	-490	+14
- deposits	25,846	+153	+11
- checking accounts	5,740	-342	+24
- foreign currency deposits	2,633	-301	+18

The + in lines 1 through 6 of the column marked "Change" depicts the increase and decrease of the money market.

Finland's Currency Reserves Are Composed of Revenue in Rubles

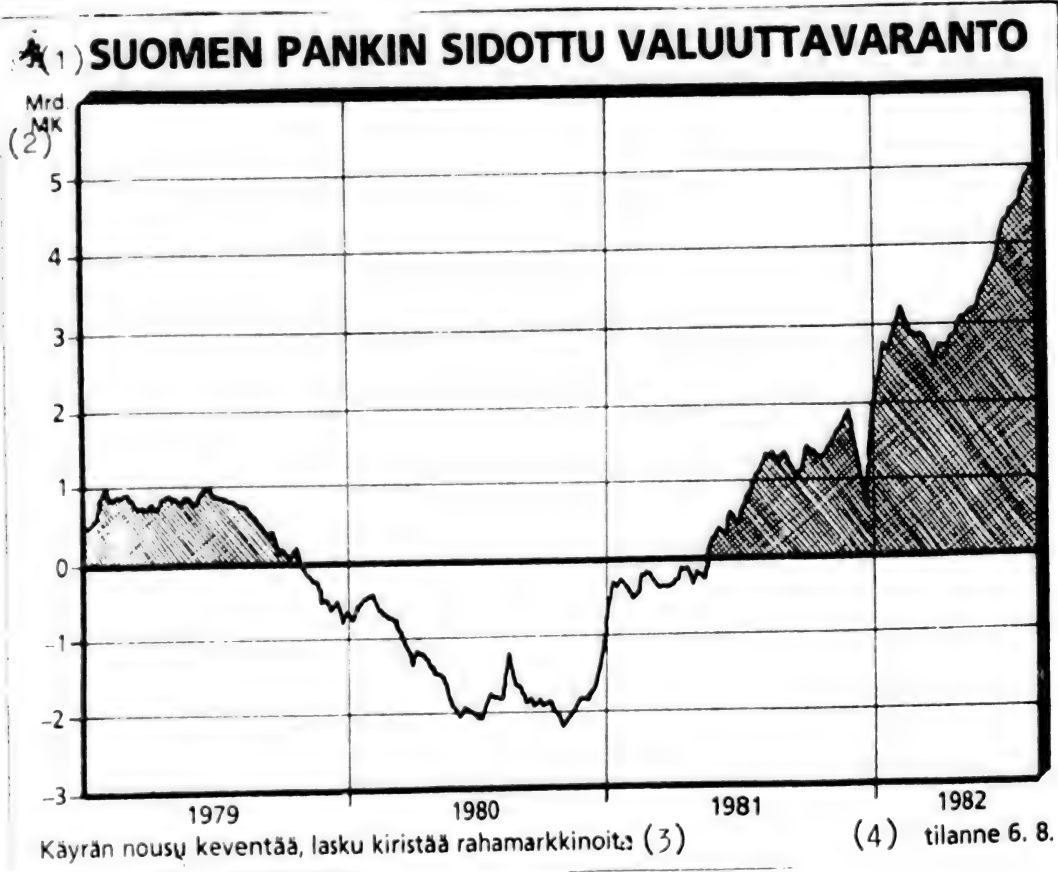
Finland's fixed foreign currency reserves are actually composed of revenue or debts in rubles. When there was a considerable rise in the price of oil in 1979, Finland did not have time to increase its exports to the Soviet Union fast enough. Revenue in rubles turned into a debt in the fall of 1979. At its highpoint, Finland's debt amounted to over 2 billion marks at the end of 1980.

In 1981 Finnish exports to the Soviet Union very greatly increased. The price of oil had stopped fluctuating. Because of the export surplus, Finland's ruble debt turned into revenue in the spring of 1981. Our income is now over 2 billion marks.

In just under 2 years time trade with the Soviet Union has brought the banks over 7 billion marks in additional funds available for borrowing and eased the money market by that amount.

If our trade with the Soviet Union were to be balanced out quickly, by reducing exports, for example, not only the export industry would suffer from it. The money market would also be quickly subjected to strain.

In order to neutralize the situation, the Bank of Finland would have to totally exhaust its cash reserve deposits and that would not be enough either; the Bank of Finland would, for example, in addition have to sharply reduce the daily interest rate on credits or raise Central Bank debt contingents. Therefore, from the standpoint of the money market, it is in Finland's interests to balance trade with the Soviet Union over a long period of time.



Leg:

1. Bank of Finland's fixed foreign currency reserves.
2. Billions of marks.
3. A rising curve indicates easing of the money market and a falling curve pinching of same.
4. Situation as of 6 August.

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BUSINESS GROUPS TRY TO STEP UP EXPORT OF INDUSTRIAL PROJECTS

Paris L'USINE NOUVELLE in French 15 Jul 82 pp 34-41

[Article by Jean Roume: "Industrial Projects: Counterattack in Exporting"]

[Excerpts] The export of industrial projects is one of the best cards of France, which is well placed on several fronts (construction and public works, transportation, oil etc.). But we must enlarge our areas of expertise, strengthen our sales networks and limit the too spectacular French-French competition.

Does the export of industrial projects really play an important role in our foreign trade? Is project study and design, which claims all or part of these exports, really competent and competitive? Are its structures suitably adapted to the international environment and to the predicted changes in the market?

The answers to these questions are not obvious. The proof is in the fact that they have been subject to controversy these last few years and the memory has not yet been erased. Since the Chapelle report in 1977, which favored the promotion of project study and design, over a dozen contradictory reports, sometimes written by large foreign consulting firms, have finally resulted in a better understanding of this activity whose existence was practically ignored 20 years ago outside of very specialized circles.

Finally, the debate went in its favor. For the last year, study and design has figured among a handful of "strategic" industries which our economy is counting on to meet the world challenges expected between now and the year 2000, and which are of particular interest to the public authorities within the Committee for the Development of Strategic Industries (Codis).

This selection--especially alongside robotics, electronics and bioindustry--has a prestigious character. But it is also a dangerous honor. Project study and design must now prove that this wager on its future is well-founded.

"Belonging to Codis," summed up Bernard Reumeaux, head of the study and design department at the Ministry of Industry, "certainly gives firms in this area a favored status with the government and public offices. But the support

that can be granted through development contracts is neither free nor given in advance. To obtain it, the firms must be able to present convincing programs for growth and improvement of their ability to compete. And also, within a reasonable time frame, concrete results."

What is project study and design today? Even if quick agreement is reached as to the underlying goal of this field--"optimizing investment"--the naming of its constituent parts has varied several times during the last two decades and has always in the end had a broad meaning.

Bernard Reumeaux summed up, "When Stisi (the statistical department at the ministry) asked 12,000 French firms of over 250 employees in 1980 if they also happened to market project study and design services, 4,000, or one-third, replied in the affirmative. This means that all know-how is a raw material for study and design and that all those that have it think they can sell it. This is a phenomenon of 'service-izing' traditional industrial activity, which will undoubtedly increase in the years to come in countries such as ours with a high level of technology."

But it is obvious that one-third of French firms cannot validly add the words study and design to their company name today. "I would like to send a message to French industry," continued Bernard Reumeaux. "To ask large, medium and small firms to consider--when they are about to sell or export some of their know-how--the added value that calling on a professional study and design firm could additionally contribute to these activities." For the head of the study and design department, the concept of professionalism is absolutely essential to remember. But this standpoint must not be a reason for conflict. On the contrary, it is an appeal for better cooperation. "It is clear," continued Bernard Reumeaux, "that for every industrial activity with the opportunity to export its know-how, it is highly desirable to do so according to the standards of international competition. Which is what professional study and design knows how to do better than anyone, more or less by definition because this has been its daily activity for many years."

Compiling statistics on study and design--in the broadest sense of the word--remains to be completed. Only two trade associations supply complete sets of coherent figures on the activities of their members.

Syntec (Association of Design and Consulting Firms) includes almost all French firms whose sole activity, or in any case the basic purpose, is primarily to sell intellectual services for optimizing investments. There, more than anywhere else, is where the "creative thinking" industry is located, as it is often called. A recent report of the Ministry of Industry counted a thousand firms of this type, with staff varying from 10 to 5,000; 60,000 in all. Syntec, having 260 members with a total of 46,800 employees, is therefore quite representative.

Syntec members collected fees of 11.8 billion francs in 1980 (publication of the 1981 figures is in preparation), of which 4.2 billion francs (37 percent) were from export and divided among five sectors: construction (.25 billion francs), infrastructures (1), industrial equipment (1.5), data processing services (1.3) and consulting (.15).

After cross checking, Codis believes that the fee figure of the design and consulting firms should be multiplied by seven to come up with the figure for the investments that they generate and accompany. Syntec members can therefore be credited with direct participation in some 80 billion francs in investments in 1980. Including 15 billion for export, primarily made up of French durable goods and equipment which probably would not have been bought by the international clientele if the design, orders and management of the projects had not been done by French study and design firms.

The second trade association is the Group of French Industrial Planners (GEIF), which includes a dozen large industrial firms with departments or large subsidiaries for study and design, that regularly export, as studies, part of the know-how held by their respective firms. These services can be sold as is or as a catalyst for sales abroad of industrial projects in which the production of the firm accounts for a sizable share. Firms such as Air-Liquide, CGEE-Alsthom, Saint-Gobain, Creusot-Loire Entreprises, Entrepouse and Framatome, etc., are members of GEIF. In 1981 this group had an overall turnover (studies and supplies of industrial goods) for export of 13.1 billion francs, compared to 11.8 the year before.

But several categories of important businesses must still be added.

First of all, the large firms in construction and public works, that, faced with the shrinking of the domestic market, have looked abroad to counteract this: Bouygues, Dumez, Campenon-Bernard and several others. This new clientele has caused the firms in question "to deliberately evolve toward the study and design function," indicated Bouygues, "including complete construction of projects, intervention as planning engineers responsible for projects from design to start-up, with complete subcontracting of jobs."

In 1982, Bouygues is planning on a 5.2 billion franc turnover on foreign projects, compared to an average of 1 billion francs in 1980 and preceding years. With, as the star projects, the University of Riyadh (Saudi Arabia) and six electric power stations in Lagos (Nigeria). For William Gordon, a consultant at Gamma International (Hay group), the place held by French study and design on world civil engineering markets signifies the change in thinking.

The next-to-last group of firms is sometimes designated by the generic name "Sofre...", although the firms within the group sometimes have other names. These are study and design departments or subsidiaries of public or quasi-public firms or even of state institutions created after 1960 to develop new export possibilities. Some are members of Syntec, but the vast majority fall outside of the preceding classifications because of their origins, their structures or marketing conditions, which are frequently specific to their activities.

Some "Sofre" firms are very active and play a positive role in our exports of industrial projects, for example, Sofretu, the study and design subsidiary of the RATP [Independent Parisian Transport System]. On the other hand, some are active only sporadically. The bulk of the activity of this group of about 20 firms falls between these two extremes.

Lastly, to complete this survey we must add sales of know-how, technical assistance and start-to-finish sales abroad, which do not currently fall in any of the preceding groups.

On the one hand, there are the more or less continuous activities in this area, sometimes very sizable, of large industrial firms such as PUK [Pechney-Ugine-Kuhlmann], Rhone-Poulenc, Alsthom-Atlantique, Total and Vallourec. On the other hand, there are the exports by sometimes very "Frenchified" French subsidiaries of some large foreign study and design firms: Foster Wheeler Francaise, Lurgi SA, etc., with staffs that sometimes reach several hundred individuals.

Antoine Sanson-Carette, director of INSEE [National Institute of Statistics and Economic Studies] and bureau head at the Office for Foreign Economic Relations (DREE) estimates the transferable French share of large civilian contracts (over 10 million francs) signed in 1981 by this rather diverse group of exporters to be 90.8 billion francs (in fact, almost 100 billion after price revisions). A figure that, however, needs to be interpreted. "It corresponds approximately to 70 billion francs in exports of French material goods, because you must deduct a certain number of foreign services or supplies, for example the contribution of civil engineering firms of client countries. Lastly, we must not forget that a large contract takes an average of 3 years to be completed and that payment can take 8 years. In this very special area, we must definitely distinguish foreign trade and receipt of payment."

More Intellectual Services in Investments

This 100 billion francs in large contracts signed in 1981 covers five areas. (See charts.) One of them (ship-boats; 15.8 billion) can only be cautiously included among the industrial projects. On the other hand, that of "individual industrial goods" (28.2 billion francs), which covers complex facilities that are often the subject of special studies or of technical assistance--like turbines or rolling mills--deserves attention.

Are those trends in exports, already very significant, still liable to develop more? And under what conditions? This is the very basis of negotiations which have been taking place for several months between Codis and the industry and large firms in the sector. A priori, development is deemed possible for two reasons.

The first is the conviction that world markets for study and design and large industrial projects will still develop significantly between now and the end of the century.

Bernard Reumeaux and many "on-site" specialists have noted that the share of intellectual services in investments is constantly increasing. They believe that this movement will continue because it is still far from having reached the optimum desirable for protecting the interests of investors. For his part, William Gordon, very sensitized to the new deeds in energy savings, the fight against under-development, and demographic growth, believes that the recent

shrinking in world investments is inevitably bound to reverse relatively soon. Their current volume (\$180-190 billion annually) could double around 1990. "The result will be," he predicted, "such a surge in demand for expertise and equipment that the supply will not be able to satisfy it."

The second reason is the enviable rank of French study and design in the world, which shows that it has well been able to defend and develop its position despite particularly fierce competition. Studies on this diverge slightly in their conclusions. All, however, agree in placing French study and design on the same level as its German and British counterparts, after the United States but ahead of Japan.

But have all the conditions been fulfilled so that French export of large industrial projects will effectively increase its share of the world market in the coming years? The discussion undertaken on this essential point between Codis and the businesses involved ended negatively. One illustration is supplied by a study of Jean-Pierre Camus, head of the study and design office at the Ministry of Urban Affairs and Housing, according to which "French exports of study and design and of large projects are certainly increasing in current francs, but tend to stagnate in volume or in constant francs."

This resulted in the start-up, at Codis' initiative, of an inventory of the weak points of the profession and the study, more or less advanced depending on the case, of solutions to lessen and eliminate them.

The first topic for consideration--particularly delicate to discuss--is what specialists call "French-French" competition, competition between French firms on non-French markets. "Healthy emulation is always desirable," commented Bernard Reumeaux, "but it is distressing that it sometimes degenerates into competition leading to signing contracts below their cost prices or finally given to foreign competitors who awaited their hour."

Too Many Gaps in the Sales Network

With few exceptions, such as Krebs, Speichim or Air Liquide, French study and design is rarely owner or co-owner of patents and procedures that it uses in its projects. Is this good or bad? It depends on the person you are talking to.

What would be best, according to Bernard Reumeaux, who reflects the viewpoint of several ministries involved, would be for French study and design to include larger quantities of French technology in its exports. "In our country there is a significant stock of industrial patents and procedures that is not well known, is poorly utilized and is even more poorly sold for export. First of all, this is the work of our universities and research institutes, which have trouble finding applications in industry. It is a problem of transfer and study and design specializes precisely in this technique. Why don't we apply it to this? And then there are all the improvements that industrialists constantly make on their own equipment. Only some large firms, such as PUK, know how to extract an exportable study and design subproduct. Here again,

I think that better organized contacts between industry and study and design would benefit everyone and the economy in general. Even for small and medium-sized industries."

To be competitive, resist competitors and gain new markets, French study and design must cautiously but without delay turn towards computerization.

How many firms of Syntec have the computer-assisted design infrastructure that has become indispensable? This survey could not count more than six or eight that have actually made this investment. Thanks, in almost all the cases, to the presence, in various forms, of large industrial firms in their capital.

A More and More Capitalistic Industry

Large-scale computerization of study and design is only beginning. "Maybe we will have terminals at our equipment suppliers in 20 years," said Philippe Kessler. Bouygues built a computer-assisted design center to follow the development of its large Riyadh project and this tool is bringing direct logistical support to the projects in Kuwait and Liberia, thanks to improvement in international telecommunications. It is not only a major American study and design firm that is studying putting its own satellite into orbit to ensure links with its projects all over the globe.

The change in the structures of French exports of large industrial projects has therefore begun. How far will it continue? It has been said that the administration has the intention of encouraging the creation of "nebulas" of growth around the two largest study and design firms, Technip and Sofresid. Bernard Reumeaux did not reply directly. "On the one hand, the development of our exports lies in our firms' acquisition of a certain level of international experience, but this is not the only criterion. Specialization in technical areas of high growth is another. We have to let things develop."

At the end of the road there is the challenge made by Codis: increase in constant currency the volume of French exports of industrial projects.

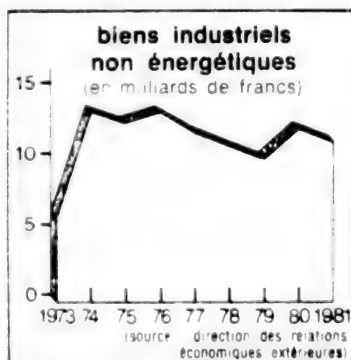
Although the first quarter of 1982 was favorable for France, many professionals are once again skeptical of meeting Codis' challenge. "French foreign trade is in the red," remarked Jacques Levy, president of GEIF. "If French businessmen and farmers have trouble exporting, firms specializing in large projects can only experience similar difficulties getting orders."

Jacques Celerier, president of Technip and Syntec Study and Design, thinks, on the contrary, that the challenge is not impossible to fulfill. "France succeeded in pulling itself up to the front ranks of world specialists in nuclear fuel enrichment and waste reprocessing. Firms should similarly look for special access to known techniques that are difficult to implement, because competition is less fierce in these areas." The result is the same when you specialize in complex projects or do not hesitate to go to difficult countries.

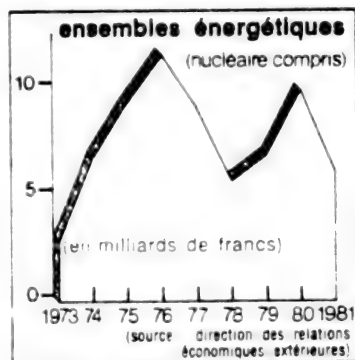
"Generally speaking, there is a lot of promotion to be done for the entire French study and design industry," declared Jacques Celerier. "It won't surprise you if I tell you that I am among the small number of people who think that there is a good opportunity to be seized today for increasing our exports of industrial projects significantly in stable money over the next 5 years."

Exports: France Can Do Still Better

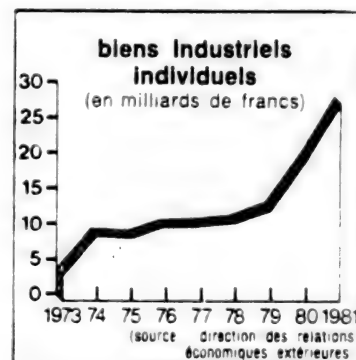
Total French Exports of Civilian Industrial Projects



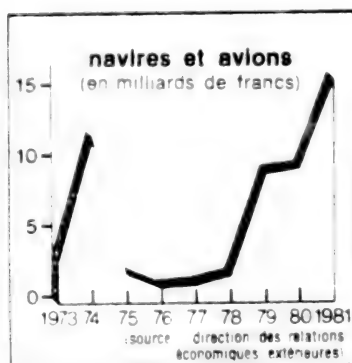
Non-Energy Industrial Goods
(in billions of francs)



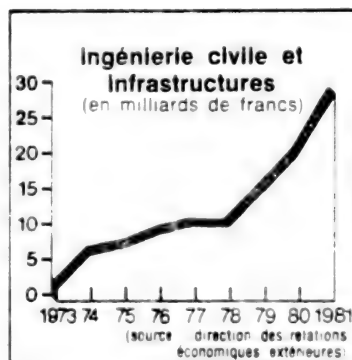
Energy Projects
(including nuclear)



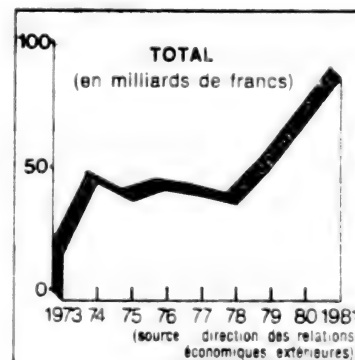
Individual Industrial Goods (in billions of francs)



Ships and Planes
(in billions of francs)



Civilian Study and Design and Infrastructures
(in billions of francs)



Total
(in billions of francs)

(Source of all above charts: DREE)

The decline in orders for industrial projects during the last 3 years was counteracted by the performance of civilian study and design and specialists in building and public works infrastructures. This trend indicates the difficulties of exporters of know-how and high technology goods.

Division by Geographic Zones
(in percentage)

Western Europe	4	Orders for pure study and design (fees recorded by members of Abetex in 1980) are divided approximately by thirds among Eastern Europe, the Middle East and French-speaking Africa. France is now better represented on the American continent and in the Pacific. The share of data processing firms and consulting firms should be noted.
Eastern Europe	25	
Middle East	27	
Far East	7	
North Africa	19	
French-speaking Africa	10	
English-speaking Africa	5	
North America	1	
Latin America	2	
Other	1	
Total	100	

Exports of Studies of Industrial Projects by Members of Syntec-Abetex in 1980

Division by Activity						
<u>Construction</u>	<u>Study and Design</u>		<u>Sub Total</u>	<u>Data Processing</u>	<u>Con- sulting</u>	<u>General Total</u>
	<u>Infrastructure</u>	<u>Industry</u>				
0.25 (1)	1	1.5	2.75	1.3	0.15	4.2
27 (2)	45	57	48	24.4	37	37

(1) In billions of francs. (2) In percentage of total turnover.

Turnover excluding tax; intellectual services only of study and design, furnishing of equipment and jobs excluded.

Exports of Industrial Projects by the Group of French Industrial Planners

Total Amount (in billions of francs)					
<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
9.5	8	4.9	9.7	11.8	13.1

Orders recorded over 10 million francs. Iranian orders for nuclear power plants were deducted from the figures above.

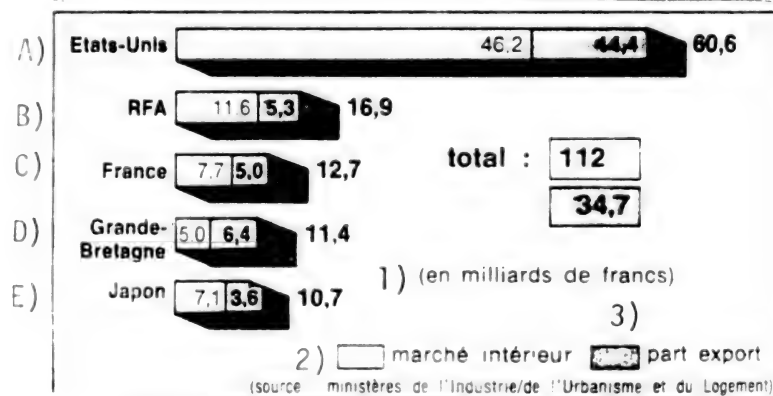
Geographic Division
(in percentage)

	1978	1979	1980	1981
Africa	30	21	21	32
America (1)	33	8	3	24
Middle East	21	38	43	23
Rest of Asia	7	1	1	14
Western Europe	2	3	4	2
Eastern Europe (2)	6	27	27	2
Oceania	—	2	—	3

(1) 2 percent in 1976. (2) 39 percent in 1976.

Orders in 1982, as estimated by GEIF, should continue the increasing trend (in current francs) of the 3 preceding years. African markets are improving. The almost complete absence of orders from Eastern Europe was made up for by spectacular progress in Latin America and Asia.

Major Countries on the World Study and Design Market in 1980 (excluding Eastern Europe and China)



- | | |
|------------------|--------------------------|
| A) United States | 1) in billions of francs |
| B) FRG | 2) domestic market |
| C) France | 3) export |
| D) Great Britain | |
| E) Japan | |

(Source: Ministries of Industry and Housing and Urban Affairs)

The domestic market in study and design in the United States alone accounts for half of the Western market. This has resulted in the ambition (difficult to implement) of the four other "biggies" to gain a foothold. The FRG, France and Great Britain have similar figures. There is the threat of seeing Japanese planning and development approach European levels.

BUSINESS VOLUME DECLINING RAPIDLY, FIRMS SUFFER FUNDS PINCH

Reykjavik MORGUNBLADID in Icelandic 29 Jul 82 p 48

[Text] "The financial situation is steadily declining week by week. In fact, we are facing real money shortages in all branches of business," said bank president Hoskuldur Olafsson yesterday in an interview with a reporter from MORGUNBLADID. Increasing difficulties are currently being experienced in most branches of business and services in this country, according to interviews by MORGUNBLADID with numerous representatives working in these fields. The sales decline in places where food is sold has been between 10 and 15 percent this summer; an average of three flights a week between Europe and Iceland have been canceled by Flugleidir this summer; sales of sound equipment and related wares have declined at the same time as demands for buying on credit have increased, and bad credit has increased; the demand for shorter foreign excursions has increased, whereas there has been a real decline in longer trips; and so on.

The sale of used vehicles has declined, but there do not seem to be declines in the sale of new cars. The slowdown in the sale of older cars indicates that people are more prone to order and buy newer cars. A sporting goods salesman said in an interview with MORGUNBLADID that he was not aware of any oppressive declines, but that he had noted that people were more careful with their money than previously. A salesman dealing in videotapes said that more and more people were having to choose between a summer vacation and buying videotape equipment; and another person in the same field said that the future did not look particularly good.

Bank president Hoskuldur Olafsson, president of the Commerce Bank, said that our economy has not been this bad in some years. "If we are going to combat this unhealthy tendency in the Icelandic economic situation, the government will have to agree on some steps to take," Olafsson said. "What the banks can do by themselves can only be very short-term protective measures."

KAFAGLU INTERVIEWED ON ECONOMIC PROGRAM

Istanbul TERCUMAN in Turkish 26 Jul 82 pp 1,11

Interview with Minister of Finance Adnan Baser Kafaoglu by TERCUMAN columnist Nazli Ilicak; date and place not specified]

Text: In an interview with our columnist, Nazli Ilicak, Minister of Finance Adnan Baser Kafaoglu--who will explain the main outlines of his future economic policies to the public in a press conference he will hold tomorrow--stated that the 24 January [1980] decisions have produced successful results and that, however, the necessary auxiliary measures have not been taken to make them even more successful. Kafaoglu said: "I will implement a highly detailed program. I have been working on this program for a year."

Following is the text of Nazli Ilicak's interview with the new Minister of Finance:

Ilicak: Have the 24 January decisions been successful in your opinion?

Kafaoglu: They have been successful to a great extent. However, certain auxiliary measures have not been implemented to make them even more successful. For example, no effort has been made to insure that our industrial organizations adapt to the new conditions. In the past, the growth of our industry was based on cheap credit and cheap foreign currency against an inflationist background. Then, suddenly, interest rates on loans climbed to 60 to 80 percent. As the value of the Turkish Lira fell against other currencies, the industrialists were required to pay the difference. The industrial organizations must have been given a breathing period to allow them to adjust to the new conditions. A consolidation of old debts should have been sought while the new program was being implemented. Even that cannot be put into place suddenly; this program must be built like lacework. Otherwise, inflationary pressures will result.

Ilicak: Can we say, then, that we are on the threshold of a period of support for the industrialists?

Kafaoglu: Not for all the industrialists. Each enterprise will be studied on its merits. The government will, naturally, not help industrial organizations which still operate on a non-competitive basis, which cannot sell their product and which have not been able to adapt to the conditions of a free-market economy.

Let us consider the case of Guney Sanayi. This firm has no goods in inventory because it sells everything it makes. This firm has been able to fill orders amounting to \$100 million from overseas. Even so, it is threatened with collapse. Why? Because it has run out of working capital. It has used its bank loans to their limits. Following the introduction of the 1 July measures, the firm has been unable to pay the interest on its old debts. Interest has mounted on the principal debt, and the total debt of the firm now is up to its credit limit. We must also add the burden arising from currency exchange differentials. For firms in similar situations, we are finding new partners who will bring with them new financial resources. A similar situation exists in Asil Celik.

Ilicak: But this is nothing new. Efforts were under way to rescue industrialists who were in trouble before you took office.

Kafaoglu: In the first year of implementation of the 24 January decisions, we had long lines of industrialists complaining about the situation. They said that they were being ruined by having to pay higher interest rates and the differentials arising from the continuous change in the value of the Turkish currency. There are 36 companies in this situation. Since we did not have a consolidation program from the outset, now we have to deal with each case on an individual basis. The problems are mainly in the construction, textile and automotive industries.

Ilicak: Can we say, then, that, in the next few days, certain industrial organizations will change owners, or that new partners will join the present owners?

Kafaoglu: In the cases of Guney Sanayi and Asil Celik, for example, the creditor banks will become partners in the firms. The loans the banks had extended and the accumulated interest will now become their working capital. Thus, all outstanding debts will be written off.

In 1961, we chose a different implementation. Then, industrial organizations made their investments with trade loans, and, as interest mounted on these short-term loans, they started having problems. So, we set up a bank called Industrial Investment Bank. We changed the status of the companies' debts to long-term loans and we used them as the capital for the Industrial Investment Bank. At that time, it appeared as if the companies had made their investments with long-term loans from the Industrial Investment Bank with no questions of partial ownership of the companies by the bank.

Ilicak: Is there a plan to implement such a system today?

Kafaoglu: Even if we do implement such a system, it will be different from what we had in 1961 in the sense that the structure of each industrial organization will be examined on an individual basis, and only those which have adapted to the new conditions will be given help. We now have an instrument like the Industrial Investment Bank. We can use it; we can give long-term status to the companies' loans and allow them to pay them back with lower interest rates.

However, let me repeat that the consolidation law will envisage a special detailed procedure for each organization.

11 : Would not those measures create inflationary pressures which would push the inflation rate above the 25-percent target level?

Kafaoglu: Any growth in the money supply would, naturally, create inflationary pressures. But we can always shift the savings we get from certain areas to certain other fields and thus maintain the balance. For example, in the case of our selective credit policy, we have certain ratios established in connection with banks' deposit requirements with the Central Bank. We can change those ratios. We have a host of other instruments at our disposal. This will be a highly detailed program. I have been working on it for a year.

Ilıcak: So you were making preparations even before you became the Minister of Finance.

Kafaoglu: Yes, and I submitted my work and my views to the Honorable Head of State and the Honorable Prime Minister.

Ilıcak: So that is when differences emerged between you and Turgut Ozal. Because there are rumors that Turgut Ozal resigned [as Deputy Prime Minister and Minister of State] upon hearing that you were appointed as Minister of Finance.

Kafaoglu: There are differences between myself and Turgut Ozal. There could be no well-harmonized economic policy if both of us served in the government. For instance, he believes in the validity theoretical considerations in real life. He thinks, for example, that a balance between supply and demand will eventually be found in interest rates. In other words, when the banks can no longer sell the funds they have procured by paying high interest on deposits, they will be forced to pay lower interest rates on deposits. However, it is not easy to suppress the demand for credit in less-developed countries. We have not been able to suppress the demand for credit despite two years of anti-inflationary policies. In reality, neither the banks want to extend loans, nor the businessmen want to borrow. But, since the banks are forced to make use of their resources and the businessmen do not want to go bankrupt, lending and borrowing continue. The banks can find customers for their loans, but they cannot insure that the loans will be paid back. Some of the unpaid loans are so large that the banks are forced to foreclose and ask their customers to declare themselves bankrupt. But every bankruptcy means a loss of funds for the banks. Consequently, there has been a sharp decline in returns on loans extended by small banks to weak industrial enterprises.

Ilıcak: Are you a proponent of government controls on interest rates?

Kafaoglu: No. But do not forget that there is no government in the world which has not intervened in interest rates in one way or another.

After the 1970 devaluation, an attempt was made to restructure the banking system, but the attempt failed. We want to develop "specialty banking" in Turkey. All banks extend all types of loans. Since we do not have specialty banking, industrialists are using commercial loans. However, industrial loans must carry interest rates different from those of commercial loans. Because we do not have a specialty banking system, our options to implement a selective interest

rate policy are severely limited. In Western countries, they have this specialization system. One bank specializes in real estate, another one works on investment loans for industrial organizations, another one extends loans for the working capital of industrial organizations and others extend short-term commercial loans. Our industrialists are trying to realize their working capital through short-term commercial loans. They cannot pay back such loans since nothing can be manufactured or sold in 30 days. Therefore, costs cannot be controlled, because the wrong type of loan is used, and, consequently, industries are having problems.

Ilicak: Are you planning to lower interest rates on savings deposits?

Kafaoglu: No. If interest rates on savings deposits become negative, that is, if they drop below the inflation rate, savings will decline and consumption will rise. Our policies, on the other hand, envisage a shift from consumption to savings. We can implement a more detailed program on this matter.

For instance, our citizens can be provided with incentives not only to have an income, but also to own a house. The Germans, for example, encourage workers who do not own their homes to save for a house by returning part of their income taxes. "Saving for buildings" has a very significant braking effect on inflation. Those who derive an income from interest on their savings deposits spend it immediately. However, when saving for a building, the money saved will be blocked for a certain amount of time. Then, the money will be spent on a building, such as a house. Saving for buildings is a much more effective instrument in damping inflation [than high interest rates].

Ilicak: You are planning to encourage housing savings--which will augment regular savings--by tax returns. You are also planning to develop and pursue a policy of selective loans and interest rates for the industrialists. Do we not already have different procedures that apply to different types of loans?

Kafaoglu: Since we do not have specialization in this current banking system, auditing is impossible. We may decide on a certain policy to be implemented with respect to the industrialists. But then, we will not be able to decide which loans are industrial and which ones are commercial. Because there is some commerce involved in industry. Right now, the separating line between the two is very fuzzy.

When specialty banking is developed, proposed projects will be examined better by people who know the business. Wasting of resources is a problem peculiar to less-developed countries. Specialty banking will permit loans to be used in a manner that will be more reasonable and in better conformity with their goals. Right now, any bank may have extended an export loan and cannot get its money back. There are even people who have deposited their export loans with Banker Kastelli.

We are planning to reform the banking system. This banking system cannot survive in its present form. We will assign to the banks certain functions within the framework of a new system, and we will support only those banks which can perform these functions; the rest will be merged in groups of three to five and given a form which will make it possible for them to keep pace with the new system.

Ilıcak: Can bank mergers be expected in the next few months?

Kataoglu: Yes. We did that in 1961. At the time, 16 banks were liquidated. There was no big upheaval. The whole problem lies in insuring that people do not think the banking system is collapsing and that the depositors do not panic.

We must establish a rational banking system. In general, banks raise the financial cost of industrial production. The share of financing costs in industrial production have risen from 5 to 6 percent, when the interest rates were low, to 22 to 23 percent. The share of labor costs, on the other hand, is around 11 to 12 percent.

Ilıcak: Do you advocate a new system regarding worker wages?

Kataoglu: We did not have differences with Turgut Ozal regarding worker wages and agricultural floor prices. The cases are being examined on an individual basis; different raises are being given depending on conditions. For instance, there are large differences among the wages of workers employed in the same branch of work. Now the Supreme Arbiters Council is giving raises to even out these differences.

The same considerations apply to the determination of agricultural floor prices. For instance, a high floor price was set for hazelnuts under political pressure during the pre-12 September period. Floor prices for crops grown in Central Anatolia were held too low. Now these differences are being evened out.

Ilıcak: When will the issue of minimum wage be tackled? What will that cost?

Kataoglu: In Turkey, there are 2.5 million workers whose wages were set by collective labor agreements. But we do not know how many of those are working for minimum wage. Figures given by the Statistics Directorate General and the Ministry of Labor have not helped us on this issue. It is hard to tell how much it would cost us. Because, for instance, if the minimum wage is changed, the salaries of civil servants at grades 13, 14 and 15 will also change. We may seek another alternative. Instead of having minimum wages, we can increase the minimum living allowance or we can reduce income tax rates for certain income levels.

We have allowed ourselves a grace period till 6 August. We will choose one of these alternatives.

Ilıcak: You are expected to introduce reforms in taxes, since you are a tax expert.

Kataoglu: All modern governments govern their countries by tax policies. A government has two means of intervening in the country's economy: One of them rests on the revenue factor and is known as tax policy, and the other one rests on expenditures and is known as spending policy. After World War II, the Keynesian theory introduced a third element: Government debt policy. A government can intervene in the economy with these three instruments.

Ilıcak: Can you elaborate on the issue of government debt?

Kataoglu: National income usually does not follow a stable trend. The balance between consumption and production is in a state of continual change. About 4 or 5

years ago, the German government was forced to increase its revenues in the face of rising prices. They increased taxes by 10 percent. In reality, this money was not tax revenue as such. It was blocked in the Central Bank to be returned to the market if and when the demand for goods would decline. The tax increase reduced the purchasing power of the market as a countermeasure against inflation.

During World War II, the British and the American governments also used this method as a very effective economic instrument.

At the time, the production of many peacetime goods had come to a halt, and these goods were replaced by wartime products. Despite that, the male soldiers were getting paid, and the jobs they had left behind were filled by their wives who were also getting paid. So, family incomes rose, and, in the absence of consumer goods, the price of some products skyrocketed. A 1940 model car which would normally sell for \$1,500 sold for \$3,000 on the black market. And the price did not fall as the car got older. So the governments implemented a forced savings measure and paid part of the workers' wages in treasury bonds. Thus, a balance was achieved between supply and demand in the market. After the war, there was an explosion of consumer goods. So, the government increased the purchasing power of the market by cashing the bonds.

Ilıcak: So, the government collects money from the people through treasury bonds in order to suppress demand and returns the money to the marketplace whenever production exceeds consumption. Were not such treasury bonds sold in Turkey after 1961?

Kataoglu: At the time, savings bonds were sold made out "to the bearer." They should have been issued in the name of the buyers only. Keynes says that money for treasury bonds "must be collected like taxes and paid back like debt." A debt is paid to the party from whom it was borrowed. This, naturally, is the system implemented in developed countries. But you can implement such a system only if you are organized. First, there is the need for an agency to handle the government's debts. In the United States, they can control the whole country with four machines. A plate with a name and a number is printed out at the push of a button. From the number they can locate the appropriate file and determine how much will be paid and when to the person in question. The information is fed into a machine which prints out the appropriate checks and mails them.

In the United States, the government borrows from the people and pays the individuals back depending on what it feels the condition of the market is. This theory was proposed by Keynes and implemented in the United States during World War II.

Ilıcak: If a label was necessary, do you consider yourself a Keynesian, or a follower of Friedman?

Kataoglu: Neither. I believe that the most logical path must be chosen for every given situation.

Ilıcak: I have a question about the constitution. The draft constitution envisages the appointment of the president of the Central Bank by the president

in the republic. I am asking this question to you because you were involved in constitutional amendment before 12 September 1980. Do you think such an appointment system would be correct?

Katipoğlu: The prime minister and the government is responsible for economic policies. There cannot be two sources of authority in one place. Having more than one source of authority is, in fact, the basis of anarchy. After the 1961 revolution, they attempted to bring the State Planning Organization under the wings of the presidency, but they failed. In my opinion, that clause in the draft constitution must be changed.

Ilhan: Have the 24 January decisions brought the Turkish economy under the control of the IMF?

Katipoğlu: We are implementing these policies not because the IMF told us but because we think they will help the Turkish economy. However, the bureaucrats have a tendency to use the IMF as a shield. During the time of the Ottoman Empire they used to use public debts against the palace. Now that has been replaced by the protocols signed with the IMF. We are implementing these policies because we believe in them.

The 24 January decisions have been successful to a great extent. But the implementation has not gone down to the details. Only simple methods have been used. Hardships must not be evaded, details must be taken care of and this policy must be worked out like lacework.

Q: 108

A: 108

STATUS OF MARMARA SHIPYARD EXAMINED

Istanbul DUNYA in Turkish 21 Jul 82 p 7

[Text] The shipyard of the Marmara Transport A.S., generally known as the "Marmara Shipyard," is one of the best equipped facilities of Turkey's private shipbuilding sector. The shipyard, which marks its twentieth anniversary in 1982, also offers shipping services with a fleet consisting of the 17,408-dwt [deadweight tons] M/T Mersin, the 2,350-dwt M/T Yarimca, both tankers, and the 5,100-dwt M/V Ali Eser, a container vessel.

The Board of Directors of the Marmara Transport A.S., which owns the Marmara Shipyard, consists of the following individuals:

President Muhittin Arif Mardin and members Mithat Recai Ogdevin, Ahmet Aydin Bolak, Varol Dereli and Orhan Giray.

Senior Mechanical Engineer Ali Eser, the director of the shipyard, gave the following information about the Marmara Shipyard:

The Marmara Shipyard is a subsidiary of the Marmara Transport A.S. Although shipbuilding activity began in 1969 in Istanbul's Golden Horn region, genuine shipyard operations were pioneered by the Marmara Shipyard which was built in Izmit's Yarimca region in May 1972.

The building of the shipyard progressed in parallel with shipbuilding operations. The first job handled by the shipyard was the overhaul of Yarimca, a tanker owned by the parent company. The job involved the expansion of the vessel's span, raising its bridge and the repair of its machinery, the electrical and piping installations and the crew's living quarters. Although the company built Turkey's first 100-percent locally made LPG tanker in 1972 during its temporary operation period in Istanbul, the Marmara Shipyard was built only after that.

Starting in 1973, the shipyard began procuring modern equipment, organizing the layout of the yard and training its personnel. After the completion of this work, the ships listed in Table 1 were built.

Ships Under Construction

The Marmara Shipyard continues to be a leader in shipbuilding from a viewpoint of the types and size of the vessels it is currently building. The quality of work

at the shipyard has reached Western standards. The shipyard has a policy of maintaining highest levels of quality and numbers in employment in its technical, administrative and worker echelons.

Table 1. Ships built in the Marmara Shipyard

<u>Year</u>	<u>Type of vessel</u>	<u>Tonnage (dwt)</u>	<u>Name--Remarks</u>
1972	LPG tanker	1,300	M/T Alevgaz (now Aygaz 2)
1972	Tanker	2,350	M/T Yarimca (overhaul)
1973	Tanker	5,600	M/T Merzifon
1974	Freighter	1,000	M/V T. Imamoglu
1975	Tanker	1,100	M/T Balikesir
1975	Freighter	2,700	M/V Celenk
1976	Freighter	3,100	M/V Deval
1977	Freighter	3,100	M/V Kaptanoglu
1978	Freighter	4,100	M/V Denizalti (container)
1979	Freighter	1,100	M/V Zihni Isik
1980	Freighter	1,100	M/V Albay H. Oztoygur
1980	Freighter	5,100	M/V Bora Burak (container)
1981	Freighter	5,100	M/V Ali (container)

There are now two 7,100-dwt container ships under construction at the shipyard, and one of them will be completed and put to sea next month.

Extension Program

The Marmara Shipyard has been continually modernizing itself in every field. To that end, we have rebuilt the work areas in concrete, we have purchased and installed new and modern cranes, we have begun using oxygen cutting and welding instruments with automatic electronic controls and we have increased the number and the capacity of hydraulic sheet metal presses and other heavy equipment.

We are also emphasizing the training as well as the social and economic development of our personnel.

Goals and Problems

The Marmara Shipyard is now at a level whereby it can compete with any foreign shipyard of its class. Primary among our goals is "exporting ships abroad." Naturally, the factors that will play a role in the realization of this goal constitute our major problems.

A shipyard where ships are built is basically an "assembly operation." That being the case, a shipyard needs markets, auxiliary industries and financing in order to build high-quality and low-price vessels at a rapid rate. However, in the Middle East, conditions in Turkey are not conducive to the operation of shipyards.

In the East and Far Eastern countries, shipbuilders are subsidized by the governments through long-term low-interest loans and sizeable tax returns for exports. In our country, these issues have not been resolved in a consistent

manner. We can give you examples of how we have lost foreign contracts as a result of these difficulties: We could not reach agreements with companies like Sweden's Stena Lines and France's ACB because of credit and guarantee problems.

Apart from these specific problems, we would like to dwell upon general problems that the Turkish shipbuilding and shipping industry has been encountering for years:

1. Ship imports: A large number of ships which could have been built locally by public organizations were imported from abroad on grounds of "urgent need," and, as a result, millions of dollars were wasted in very critical periods. Ship imports continue because a basic program and a master plan for the country's shipping needs still does not exist.

2. Insufficient credit: Turkish shipyards have been operating at below their full capacity and with low productivity for years because they have not been able to get sufficient credit. As a result, 75 percent of the export-import business is carried out by foreign ships.

This situation has steadily weakened the local shipbuilding industry. Fortunately, the government that took over after 12 September 1980 has realized Turkey's links with the seas around it and how much it can benefit from those seas, and, as a result, positive steps are now being taken.

3. Another major important problem that has generally affected all industries is that it has become very difficult--sometimes impossible--to import necessary materials as a result of the foreign currency crunch. There have been positive developments on this issue in the past 2 years.

4. Absence of a competent authority which will examine and resolve maritime issues: For years, several organizations have studied this issue in a piecemeal manner, and, unfortunately, it has not been possible to see the issue as a "whole." The government that took over after 12 September 1980 has set up an undersecretariat for this issue and has taken some positive steps. But considering that in other countries there is at least a ministry-level organization dealing with this issue, it would not be wrong to say that we still have a lot of distance to cover.

5. Training institutions to provide personnel for shipyards and shipping operations are so few that they can be considered nonexistent.

6. Auxiliary industries linked with shipbuilding are unprotected and disorganized.

7. There are also everyday problems such as the lack of industry standards and the absence of quality control organizations.

088

01: 4654/408

CP MISTAKEN; CPSU STILL GIVING COLD SHOULDER TO SKDL

Helsinki HELSINGIN SANOMAT in Finish 18 Aug 82 p 7

[Article: "CPSU Invited Only Communist Members of Parliament"]

[Text] The Communist Party of the Soviet Union [CPSU] has not invited eight SKDL [Suomen Kansan Demokraattinen Liitto-Finnish People's Democratic League] members of parliament to Moscow, but instead, eight communist members of parliament. That was the way Chairman Veikko Saarto of the SKDL group in parliament described the situation at the group's summer meeting in Lappeenranta.

The tour by the communist members of parliament will take place under the framework of the exchange program of the authorized committees of the Finnish Communist Party and the CPSU. The tour participants will be selected by the Political Bureau of the Finnish CP.

Representatives of the CPSU extended the invitation to Saarto when he was visiting in Moscow during the summer of 1982.

Saarto interpreted the invitation incorrectly, however, in that he assumed that the invitation referred to the SKDL parliamentary group delegation. Had that been the case, it would then have been possible for SKDL socialist representatives to be included among the tour participants.

An invitation to the SKDL parliamentary group would have meant also that the CPSU was making overtures for the warming up of relations with the SKDL itself. SKDL relations with counterparts in the Soviet Union have not been good for years.

The misunderstandings have now been eliminated in that the invitation is limited only to members of parliament who belong to the Finnish CP. The delegation will probably be headed by Saarto.

The misunderstanding concerning the composition of the delegation was cause for discussion at the SKDL parliamentary group meeting because certain members of parliament belonging to the majority felt that the tour participants should nonetheless be selected in the parliamentary group.

The matters involved with the formalities of the invitation were resolved however, and the solution was supported by the SKDL chairman Kalevi Kivisto, who is not a member of the Finnish CP.

Saarto feels that the SKDL should work toward the goal that the entire parliamentary group go on a tour to Moscow. Fifteen years have elapsed since the entire parliamentary group last visited the Soviet Union.

Both minority and majority communist members of parliament will probably be named to the tour delegation.

TIEDONANTAJA Faults Saarinen

The SKDL parliamentary group is the only important body in which the communist majority and minority participate jointly. The Taisto faction will not participate in the Finnish CP Political Bureau meeting that is to take place this date, although reconciliation negotiations have recently been taking place continuously.

TIEDONANTAJA, organ of the Finnish CP Taisto faction, on 17 August accused the former Finnish CP chairman, Aarne Saarinen, of engaging in provocative activity aimed at forestalling reconciliation.

On 15 August, Saarinen demanded that the communist minority resubmit itself into compliance with the party leadership. TIEDONANTAJA feels that for the time being, fair progress is being made in the reconciliation talks. That which Saarinen has damaged may well be retrieved by Kajanoja, TIEDONANTAJA writes. The reconciliation talks, which are led by the Finnish CP chairman, Jouko Kajanoja, have as their objective the return of the Taisto faction members into Finnish CP leadership elements in time for the Central Committee meeting to be held during the weekend of 21 August 1982.

5955

CSO: 3107/170

BERGERON ON GOVERNMENT POLICIES, UNION REACTIONS

Paris LE MONDE in French 14 Aug 82 pp 1, 17

[Interview with Andre Bergeron, secretary general of the Workers Force, by Michel Noblecourt: "Austerity Is a Brutal Return to Realities Which the Government Had Misjudged Too Much"]

[Text] In the interview he granted to LE MONDE, Mr Andre Bergeron rings the three bells of a social return which is shaping up as an uncertain one.

The secretary general of the FO [Workers Force] tells of his serious concerns about the economic and social situation. Even though, on several occasions, his harshness toward the government -- "the austerity following the second devaluation of the franc is a brutal return to realities which had been misjudged too much" -- has certain similarities to a warning, he did not altogether depart from his usual moderation.

Thus, there is no question of forming a "rejectionist front" against the austerity together with the other reformist unions -- the CFTC [French Confederation of Christian Workers] and the CGC [General Confederation of Managerial Personnel]. Mr Bergeron also reaffirmed with renewed strength, his opposition to any "excessive flattening" of the hierarchy of wages, to which he remains attached.

[Question] How do you see the social return of September, a few months prior to the labor tribunal elections? Are you afraid, in spite of the moderation of the union headquarters, of excesses among the rank and file or of "jacqueries" among the middle classes?

[Answer] I have never ventured to make forecasts about this matter. Large scale social events usually occur when nobody expects them. There will be difficulties. In many places, the discontent is evident. The information transmitted by our organizations brings out the fact that by 31 October losses in purchasing power will be between 5 and 10 percent. These percentages should be tempered by increases which may have occurred in a few enterprises prior to the freeze.

On the other hand, there will undoubtedly be difficulties of some significance among the middle classes (farmers, shopkeepers, small industrialists, etc.). I wouldn't go so far as to speak of "jacqueries" for the time being, but the government would do well to observe the situation with close attention.

We are also entering a pre-electoral period with the labor tribunal elections coming up on 8 December and the social security elections next year. I don't see why the government planned such consultations during this period of great economic difficulties. Indeed, during these electoral periods everyone's objective is to try to bite into his neighbor's electorate. They are political elections. Such a haste was not justified at a time when we need serenity. We will try to marry the concern with winning elections with that of maintaining an image of reason.

[Question] How are you going to reconcile your desire not to place the government in a difficult position with your possible alliance with the CGC and the CFTC in what is likely to look like a "rejectionist front" against the government policy?

[Answer] I have never wished for a worsening of the difficulties, neither now nor in the past. Nobody can in good faith reproach the Workers Force for irresponsible behavior. We are weighing the seriousness of the economic crisis, which is worldwide. It existed prior to 10 May 1981; it has continued. But the union movement is not the government. It is not in charge of economic policy and of the management of the state. It defends the interests of the union members. If it were not doing this, then one might fear reactions on the fringe of the unions, uncontrollable and dangerous. Then there would be a risk of the worst, that is to say a sliding toward Italian type situations. This is why, as much as I am aware of the current difficulties, and as much as I do not wish for the government policy to fail, the consequences of which would be formidable for everyone, starting with the wage earners, I still cannot remain deaf to the reactions of our supporters and of our activists.

We will come to a decision on the timeliness of a demonstration with the CGC and the CFTC at the return, in function of the situation at the beginning of September, but there can be no question of a rejectionist front. If all union actions were to be interpreted as commitments to the political opposition, then this would be very serious. Today's government must allow trade unionism to be trade unionism and to play its normal role.

[Question] What is your verdict on the first 15 months of government policy? Do you share the criticisms of incoherence and incompetence which have been addressed to it? What are, in your opinion, its greatest error and its most positive action?

[Answer] I believe that the members of the government, at least those I know, are competent: as a matter of fact, a good many of them went to the same schools as their predecessors. But the socialist leaders made the mistake of giving public opinion a glimpse of things which were impossible. Since immediately after the presidential and legislative elections, I have never stopped

saying that the government was wrong in wanting to solve everything at once, as they had time at their disposal. Experience shows that we were not wrong.

The government also made a mistake in allowing public opinion to believe that yesterday's difficulties were due primarily to the previous policy, whereas they were, as they are today, the consequence of the worldwide economic crisis. The austerity, which closely followed the second devaluation of the franc, is a brutal return to realities which have been misjudged too much.

There are also positive actions, such as the fact of having reduced the legal work week from 40 to 39 hours. And even the Auroux proposals, aside from the freedom of expression which worries us, include positive aspects such as the specifications which have been added to the internal regulations. As for the nationalizations, I would not have gone as far as the government did; the future will show whether its objective of turning nationalizations into the spearhead of industrial recovery will be achieved.

[Question] What was your reaction to Mr Gandois' resignation?

[Answer] It is not a good sign. He was a capable man. I am not making any judgment, but it would be better if events of this nature were not to recur too often.

[Question] Do you have the feeling that the government is already failing economically?

[Answer] The difficulties the government is coming up against were inevitable. The economic crisis does not solely hit capitalist systems, but also, similarly, the others such as Poland and Romania. For the major part, there is no longer a solely national solution. Every day, the facts increasingly demonstrate the interdependence of economies. If the French government found itself compelled to readjust the franc within the framework of the European monetary system, this was probably because the European governments have put conditions on this devaluation, hence, the price and wage freeze.

Thus, the question does not lie in knowing whether the policy enacted by a government is good or bad. The reality is that, due to this growing interdependence, France cannot practice a policy which is basically different from that of the other countries with comparable economies. This partly explains the fact that the government was virtually compelled to change policy.

[Question] Is the government right in attributing part of its difficulties to the American economic policy?

[Answer] The American practice of very high interest rates unquestionably has consequences. The monetary disorder could certainly make the difficulties of the French policy more acute. But do the Americans themselves completely understand these phenomena? If the European Community really existed, it would be able to have a much more significant impact on the American policy.

...lower: 5 to 10 percent...

[Question] How do you envision the lifting of the freeze? What will the margin of maneuverability of the contractual policy be considering that the average purchasing power must be maintained through 1982-1983?

[Answer] In some cases, the loss in purchasing power will be between 5 and 10 percent. Negotiations will get under way. Will this loss be recovered? Or will it become definitive? We would not accept this. How are they going to proceed, to return even progressively to the level it should be? We have not as yet been able to obtain a very specific response from the government. That's where the shoe pinches. The duration of the freeze, which is theoretically to be lifted on 31 October, will be, in a few rare cases, 4 months but sometimes 5, 6, 7, even 10 months. That will be very difficult.

[Question] You say "theoretic" lifting. Do you think that the freeze might be extended beyond 31 October...

[Answer] Partially, certainly. Mr Delors has very clearly hinted at this. At the time of the Matignon conference on 15 July, I indicated that, if I had clearly understood, the recovery of the purchasing power would take place between now and the end of 1983. Jacques Delors answered that that was the way to understand it. The prime minister then stated that things should not be considered so categorically and that the negotiations which are going to get under way would determine it. But I don't have too many illusions.

[Question] Do you go along with the renewed placing in doubt of the automatic and a posteriori indexing of wages relative to prices?

[Answer] All of this does not mean very much. The government has repeated that it wants to maintain the purchasing power overall. And, in order to maintain the purchasing power you have to refer to something. This can only be the price index. There aren't that many differences between what is advocated by the minister of economy and finance and the old practices. In the proposal formula, the government sets an inflation rate X for one year, and they try to plan various stages of wage increases, anticipating somewhat the expected development of prices. As nobody knows exactly how things are likely to occur in this matter, you will admit that the difference between the two systems is on the order of 1 point, not more. There are many words in a speech like that.

Extensive Flattening of the Hierarchy

[Question] But at a time when there is talk of solidarity, when austerity is already emerging, isn't it going against the current to be placing the defense of the purchasing power at the top of your demands?

[Answer] That is not our concern, it is that of the government. We don't disagree with the government, at least not in terms of the principle of the overall maintenance of purchasing power. Or else the government must state clearly that it should not be maintained. From the current perspective, purchasing power will not necessarily be maintained for the highest categories,

and they could go a little further for the lowest categories. The majority of the agreements we have signed, for nearly 15 years now, in the public and nationalized sector have drawn on this principle.

But -- and this is new -- there is a risk that we may go too far. I am not in favor of an egalitarian system. There are very strong reactions among middle level management, technicians and professional workers, who fear a kind of progressive leveling of wage earners at the bottom of the scale in favor of those who are better paid. Nobody wants a system of that kind. It is the negation of the hierarchy of values to which we remain attached. The SMIC [Interoccupational Minimum Growth Wage] has a role to play to guarantee a living wage for everyone. But the policy of the SMIC cannot become the basic element of a wage policy. It is a railing. You have to imagine a hierarchy which takes the necessary respect for the hierarchy of values into account. But they are in the process of biting the bit. We don't have to go beyond this. In certain branches, there is practically no longer any difference between a floor sweeper and a professional, and that is not healthy. An excessive flattening of the hierarchy may end up in demotivating the wage earners.

Question: As far as you are concerned, the purchasing power of those wages included in the hierarchical scale must be maintained...

Answer: Yes. The wage scale established by collective agreements was negotiated. Thus, the desirable spread among the various categories has already been considered.

Question: The new solidarities, is that a slogan?

Answer: To a very large extent, yes. I don't much like the way of expressing oneself in which one talks about new solidarities while basically nobody knows exactly what this involves. Solidarity consists first of all in maintaining our system of social protection. You have to keep your feet on the ground.

1 , to 150,000 More Unemployed

Question: The government, on the one hand, and the employers, on the other, do they give themselves the means to fight unemployment effectively? How can we avoid the 2.5 million job seekers in the medium term?

Answer: I fear that the freeze of industrial prices at the level of production may create difficult situations. At best, the company managers will wait to see what is going to happen; they will not dismiss people, but neither will they recruit any. Hence, an increase in unemployment to be compensated is mechanically inevitable between now and the end of the year: at least, we can assume from 100,000 to 150,000 unemployed individuals more to be expected. This is why the government must look at the situation of small and medium size enterprises, whose feeling of helplessness is nothing but the reflection of difficulties encountered by the wage earners. Thus, it finds itself compelled to soften the freeze.

This worsening of unemployment will have an impact on the situation of unemployment insurance (UNEDIC [expansion unknown]). Negotiations will get under way again on 7 September. There are not 50 solutions to balance the regime's finances. One can either increase the contributions made by the enterprises and the wage earners, or, as they modestly say, remodel the benefit payments, thus reduce some -- even if it means increasing others -- and finally there is state intervention. A guarantee has been given to UNEDIC, to the effect that if serious difficulties were to arise, the state would intervene until the end of October. But as for the future, the problem remains unchanged. For 1982, the deficit to be filled is between 9 and 12 billion francs. I don't like this situation. Hence, I hope that between now and 7 September, the government will clearly state what it intends to do -- with figures to support it -- to make the social partners aware of the size of the hole they will have to fill.

In terms of unemployment insurance, as is the case for the financing of social security and the lowering of retirement age (which assumes the adjustment of the contributions through complementary systems), we are getting to situations of freeze which worry me a great deal.

[Question] How, precisely, can we reconcile the sound level of our system of social protection with the necessity to balance the systems? Is a reduction of benefits inescapable or should there be a contribution based on equipment?

[Answer] A contribution based on equipment -- we have been talking about that for a long time. It is true that the social contributions weigh more heavily on labor intensive enterprises than on the others. But we might also ask ourselves whether a contribution based on equipment might not slow down the development of key industries. The French will simply have to become aware of the limits of the guarantee against everything relative to the free disposal of the money given out at the end of the month. I admire those who are in possession of miracle cures. They don't exist. I personally appreciate the rather concrete speech made by Mr Beregovoy because, on this question of social protection, we should not beat around the bush. The problem should be posed as a whole. Even more than for the wages, it is a real Chinese puzzle for the months to come.

[Question] Do you believe that the current threshold -- 43 percent of the INP -- for social tax deductions is impassable?

[Answer] I think that it is difficult to pass. If we were living in a closed economy, then everything would be imaginable. But limits are imposed on us through the interdependence of economies.

[Question] Should the reduction of the work week be pursued contractually in 1983, or should there be a break?

[Answer] First of all, we have to try to get a clear understanding of the plan of the European Trade Union Confederation [UTEC]. We are going to have negotiations in the branches, but I remain convinced that we cannot exceed certain limits in France if progress in the FRG, in Belgium or in Great

Britain is not proceeding at the same rate. Otherwise we run the risk of increasing the difficulties which are born of disparities from one country to another. We must avoid a general national step, and advance cautiously.

[Question] With the Auroux laws and the project for democratization of the public sector, are you still afraid of the beginning of worker participation?

Answer For the nationalizations to succeed, it will also be necessary for the government to keep from creating additional difficulties for itself. We remain hostile to shop councils and to the introduction of politics in places of work. Mr Auroux himself seems very cautious in the matter, and he is right. I want the government to think seriously before setting in motion phenomena which it will not be able to control. The union cannot fully belong to the government camp as it is in charge of defending the particular interests of those who are governed. When we advocated a "no" vote to the 1969 referendum, at the time of General de Gaulle, it was for the same reasons. Hence, we cannot be accused today of political opposition. The day when difficulties worsen, the wage earners want to be defended by their union. That is not possible if the union is at the same time a co-developer of the economic policy.

No Reformist Front

[Question] To what extent is unity with the CGC and the CFTC possible? Are you still hostile to any rapprochement, even a limited one, with the CFDT [French Democratic Confederation of Labor]?

Answer Even if we go so far as to hold a joint demonstration with the CFTC and the CGC, it will remain very limited. We have the same attachment to conventional politics, to the freedom of wage negotiations, and to the maintenance of joint representation systems. But there is no question of forming some kind of reformist front. We may find ourselves together on a specific problem, without there being any other significance to it. One of the problems between us and the CFDT is worker participation. We are not in the same frame of mind. We have not yet responded to their proposal for a meeting. On this kind of subject, we, at the Workers Force, are agreed that we will debate it within the organization. We will see.

11/10/71

PAPER COMMENTS ON PEOPLE'S ALLIANCE MOVE TO LEAD COALITION

Reykjavik MORGUNBLADID in Icelandic 27 Jul 82 p 20

[Editorial: "Floodgates of Anarchy"]

[Text] After a disastrous election defeat and growing discord in the houses of government, the People's Alliance has begun to curry favor with the Social Democratic Party. Svavar Gestsson, chairman of the People's Alliance, has felt such a setback after his party's election defeat that he is mustering all the leftist forces, under the leadership of the communists, against the Independence Party. The People's Alliance now appears day after day--in the editorial columns of THJODVILJINN--in the form of a broody hen which is trying to lure the Social Democratic Party and the Progressive Party under her wings --after the electorate has plucked all her tail feathers out.

No one who follows political trends in Iceland is likely to have been able to ignore the aimless groupings which have gone on for some time between the socialist parties. They experienced mutual defeat in the rural district elections--and both chose to go with those results, rather than to try for new elections looming in the future.

When we look over people's shoulders in Icelandic national politics, shortcomings become apparent in the history of cooperation between the two Socialist parties. They stood together in the political campaign of 1978, against the government of the time, under the slogans: "Elections are a battle for a better way of life" and "Let us keep the validity of our negotiations." They were both involved in exploitation of the labor organizations at that time, which resulted in illegal strikes and export bans on marine products. They rode in together astride a mutual electoral victory that year, forming a new leftist government. Neither party was actually capable of wresting precedence in the government from the other, and so the Progressives came in to fill out the marriage contract, just as always has been the case when the final touch was needed in "leftist cooperation."

That government, which the three leftist parties formed in 1978, was close to the governmental pattern that the People's Alliance and Svavar Gestsson have in mind now, if the current weak government cashes in its chips. The

leftist forces broke up with great fuss and botheration in 1979 after only 13 months in power. Benedikt Grondal, chairman of the Social Democratic party at that time, explained the story of that government's trials as follows:

"This government has not succeeded in agreeing on any of the main issues which are significant to the political affairs of this country. It has not succeeded in coming together on solutions for economic problems, for the cresting waves of runaway inflation, or for the budget, which nonetheless is at its utmost lowest point in the governing of this country. These have been constant elements of this government which have caused both us and the other governing party great disappointments."

The editorial column of ALTHYDUBLADID remarked, when this government ended in 1979:

"The kernel of the matter is the following: that, within the current government, people have not even been able to agree in the mutual specification of what our problems are. Those people don't speak the same language when economic matters are being discussed. Each person just holds on to his particular hobbyhorse..."

ALTHYDUBLADID further said: "The runaway inflation in Iceland, which currently is five times as high as inflation in other nations we trade with, has its source in our own Ministry of Finance," where Tomas Arnason, current minister of economics, was holding sway at the time. "This happens with the official sanction of the Althing and of the government. Inflation in Iceland is subsidized by the government. If we do not immediately close off these floodgates of anarchy, all the so-called preventative measures... will have been in vain."

This is the way one of the coalition's members describes the course taken by his own government. This was the same type of governmental pattern as will result from the aimless groupings which are going on now. Because Svavar Gestsson fears "misfortune" in the future, he hopes to keep up the ministerial socialism of the People's Alliance without having to submit it to the decision of the common man in premature elections. It is worth our while to recall the tribulations of the 13-month "leftist government" of 1978-1979, which the former chairman of the Social Democratic Party has rightfully said caused "great disappointments."

9584

CGO: 3111/50

BRIEFS

FOREIGN MINISTER ON TERMINAL ISSUE--"We have not gotten very far in this matter. I have presented it to the government, but nothing has been determined yet. In my judgment, it is very important that a decision be made. I hope that the government will come to a decision soon, and I will aim for that," said Olafur Johannesson, foreign minister, when MORGUNBLADID asked him when a decision would be made concerning the construction of a new terminal at Keflavik Airport. "I have emphasized the proposals of the majority of the committee concerning the construction of the terminal, proposals indicating that the construction will proceed according to the available plans and that construction time will be lengthened, that the terminal will be built in stages," Johannesson further said. "It is necessary that this be started before the first of October; so that we don't lose our financing from the United States." It should be mentioned that the Transportation Council has issued a statement in which the government is urged to immediately decide to begin construction of a new terminal at Keflavik Airport. The statement is printed in full in the centerfold of today's MORGUNBLADID. [Text] [Reykjavik MORGUNBLADID in Icelandic 29 Jul 82 p 48] 9584

CSO: 3111/50

FORMER LABOR PARTY CHAIRMAN STEEN LEFT WITHOUT A POST

Oslo AFTENPOSTEN in Norwegian 28 Aug 82 p 3

[Article by Thorleif Andreassen: "Sought-After Politician--But 'Banished' in the Labor Party"]

[Text] "Politics is increasingly becoming a ping-pong ball between the media and the politicians. Politics is being tied to the central institutions and the media. Today's media output is decisive for how the political debate goes." It was Storting representative Reiulf Steen (labor) who fired this salvo in a conversation with AFTENPOSTEN. "If politics represents itself as a clever quarrel over parliamentary fine points, there will be a total alienation between the politicians and the people," said Steen--politically "banished" but with broad local support.

The former Labor Party [DNA] chairman is looking for a broader commitment from more people, and more contact between the professional politicians and those the politicians should represent. "We must not forget the fact that politics deals with people throughout society--how they live, how they dwell, and what they worry about."

Reiulf Steen is one of DNA's foremost political thinkers. But he has not a single party assignment! Many can not understand why the party leadership has no use for his experience and service. The Socialist International does, however, and he is vice chairman of that body.

"I can use more of my time in that work than I could previously. At a bureau meeting of the Socialist International in Helsinki in June, Willy Brandt asked me to be chairman of the Falkland/Malvinas committee. That is an exciting and interesting task which has wide political consequences for large parts of the international situation."

"You began your political career as chairman of AUF [Labor Party Youth Organization]. Then you went gradually to the top in DNA. Do you find it very unsatisfactory to be in politics without a party assignment?"

"I have an extensive travel program in Norway. It will be just as busy in the coming fall and winter. Three to five speeches per week is not unusual. In that way I am personally doing very well."

Steen "smoked" a cold pipe that he always has at hand. The thoughtful face softened. The political figure spontaneously said, "It is very satisfactory to have broad contact with representatives and party members throughout the country."

"I get to feel the pulse of both the party and society which is useful for my work in the Storting."

"But your services seem not to be desired by the new leadership of the party?"

"My activity in the party is not determined by formal positions. The fact that I have friends in the party and the labor movement over the entire country means more than positions." Steen lighted his pipe and extinguished the match in a movement which showed that he was concentrating on something entirely different. "When I say friends, that is what they are. They are good friends, not just contacts. I do not consider the lack of formal assignments as a privation. But I would like to have jobs!"

A job which Reiulf Steen would like to take on is to publish a political-ideological newspaper tied to the labor movement. Last year he took the initiative for both such a newspaper and a research institute tied to the labor movement. Today the institute is a reality. The newspaper, however, where Steen would have been editor, is not. AFTENPOSTEN has learned that the newspaper idea was received positively in both the party and LO [Trade Union Federation]. But suddenly Steen's project was stopped.

"Was it the top DNA leadership which let the project die?"

"I have the impression that there were so many doubts that the idea could not be realized. Publication of such a newspaper is a demanding job. If it is to succeed, it is necessary to have active support from all parts of the labor movement."

"And it did not have that?"

"There were certainly those who had doubts." said Reiulf Steen.

Doubts or demonstrations of power? There is much evidence that the latter was the basis for Steen's initiative being stopped, but perhaps not permanently.

OBSERVER SEES LABOR PARTY ECONOMIC PROGRAM 'OUT OF STEP'

Oslo AFTENPOSTEN in Norwegian 28 Aug 82 p 3

[Article by Egil Sundar: "A Policy Motivated by Envy"]

[Text] The Labor Party [DNA] is hunting for new voters in the hope of winning back government power in 1985. But the introductory discussions about how the program is to be shaped for the next Labor Party Government have not given a single answer to the question of how the brain trust around Gro Harlem Brundtland expects to solve the basic economic and welfare-political problems. And for many of DNA's own voters the signals from Thursday's conference in Oslo must be depressing. A policy which has envy as its most important motivation will probably have very little appeal to today's people--busy as they are protecting the benefits which have given them more secure and better lives.

Characteristic of the attitudes of the party leadership was Gro Harlem Brundtland's powerful attack on the opportunity people have today to draw from the interest on their income tax returns. Such withdrawal right has provided a decisive opportunity for tens of thousands in this country to get themselves a place to live.

To divert the issue, the party chairman spoke in a frenzy about the Conservative Party's "rigid and stiff-necked opposition toward any constructive thought to end the unjust, unreasonable and socially harmful system of unlimited right to withdraw interest." Anyone who pays a bit of attention to the political debate knows that such a commitment in favor of unlimited withdrawal rights will not happen. On the contrary, most are quite certain that the current system can have unfortunate sides. But for their part the Conservatives have not been willing to break up the current system before there is an adequate alternative system to build upon. And they have not been willing to eliminate an arrangement with so obvious positive social results for the average wage earner. The chairman of DNA gives no clue as

to where an eventual interest ceiling should be established, so the anxiety about what a DNA government can be expected to recommend will not be noticeably less following Mrs Brundtland's latest utterance.

The DNA chairman goes remarkably far in her confession when she admits that our tax system--which her own party is to a large extent responsible for--has outlived its day. For years others have expressed the same idea without getting any support for their efforts in official DNA policies. Now, however, Mrs Brundtland says that the tax arrangements which DNA fought for, almost with tooth and nail, "cry out for a change in the system and new thought." And naturally enough there are many who will note that the only new thought she herself is contributing is to remove the right of withdrawal. The political tone of this attitude becomes still clearer with her own emphasis that increased weight will be placed on taxation of real property. That says more than enough about DNA's attitude toward the growing desire of the people to own something themselves--large or small. Such a policy harmonizes remarkably well with Rune Gerhardsen's strong expression of how important it is for the DNA to expand the redistribution policy. There is clearly no understanding that he has perhaps gone too far in certain areas.

With a closer study of the main attitudes shown at Thursday's program conference, the conclusion must be that DNA is still building its world of ideas and its practical policies on obsolete dogma. It will hardly make the policies more attractive to talk about "democratic socialism," since the party obviously is out of step with the thoughts and needs which concern the modern citizen. Many can agree with some of the situation descriptions which were given, some by the party chairman herself. But the political answers do not appear.

In a confused comparison with Kare Willoch's message to the Norwegian people, Gro Harlem Brundtland gave the following program explanation: "We want to stimulate growth power and the richness of ideas in Norwegian society. We want motivation, cooperation and enthusiasm for new success, new ideas, better production results and better production life. We want renewal, human development and richness of ideas. We also want security. We know that a socially just society is the basic precondition. Is not security in our society a strength and an access, something which is a precondition for ability to readjust without undesirable and unworkable human costs?"

It could hardly be said more correctly or better. But which policies is DNA going to carry out to reach their goals? What will the party do to raise competitive ability and release the growth power which, through many years of failed policies, they have managed to undermine so thoroughly? And how do they expect to expand a socially just society if they will not also strengthen the foundation of the welfare state? It is these questions that many political observers expected answers to during the DNA program conference this week. But the dividends were especially meager. The first clarification of DNA policies for the 1980's will come later.

And while we continue to wait, the program work continues in a number of committees, or perhaps more correctly in something that is also called "The Great Political Kitchen." It will certainly be an exciting menu--when that time comes.

POLL CONFIRMS POPULARITY OF EANES

Lisbon EXPRESSO in Portuguese 10 Jul 82 pp 12, 13

[Text] The Democratic Alliance [AD] would again win the elections for parliament if they were held at this time, but it is doubtful that it would maintain an absolute majority in the Assembly of the Republic. In fact, a national poll conducted by Norma exclusively for EXPRESSO during the second half of last month revealed that 43 percent of those polled would vote for the AD. In the elections of December 1979, the AD received 45.4 percent of the votes, and in those of October 1980 the figure increased to 47.1 percent.

The same survey shows that the Socialist Party [PS] is continuing to have difficulty increasing its level of acceptance among the electorate: 25 percent of those polled would vote for the PS (or FRS [Socialist Republican Front]) compared with 28.1 percent in 1979 and 28 percent the following year. The United People Alliance [APU] would advance slightly--17 percent in this poll compared with 16.9 percent in 1980--but would not manage to reach its level of 1979: 18.8 percent.

The percentage of abstentions would remain approximately the same: 14 percent compared with 14.6 percent in 1980. There is another 8 percent of those undecided, whose direction of vote is not known.

To evaluate these figures, each person polled was given a ballot which was deposited in a ballot box after being filled out. On another form the person polled indicated the party for which he had voted in 1980. A comparison of the results of 1980 with those of 1982 (see Chart 1) gives a clear idea of how the opinion of the electorate changed during this period. It is to be noted that the figures for 1980, revealed by this poll, are very close to the true results. In fact, in 1980, 46.3 percent of those contacted in this poll (less 0.8 percent of the value obtained by the coalition in that year) voted for the AD, 17.5 percent (plus 0.6 percent) for the APU, 28.3 percent (plus 0.3 percent) for the FRS and the remaining parties 5.6 percent (the same as the real result). Abstentions in 1980, indicated by the poll, amounted to 14.2 percent (less 0.4 percent of the true value), and blank or void votes come to 2.3 percent (less 0.1 percent).

to analyze the results by geographical areas, the country was divided into three regions--north, central and south--each having specific political characteristics. This can be seen by the vote of those polled. The AD drops slightly in the north, rises about the same amount in the central region and experiences a drastic drop in the south. The APU remains stationary in the three regions. The PS/FRS shows a severe decline in the central region (more than 10 percent) but remains stable in the other regions.

CDS Ahead of PSD

The CDS [Social Democratic Center Party] would be ahead of the PSD [Social Democratic Party], if those parties ran for office separately in the legislative elections; this is another significant revelation of the poll. In fact, assuming that the AD became extinct, Freitas do Amaral's party would receive 19 percent of the votes whereas the social democrats would not exceed 18 percent (see Chart 2). That difference would be still greater in the north (26 percent compared with 19 percent), but it would be the reverse in the south: 15 percent for the PSD compared with only 3 percent for its present partner in the AD. In the central region, both parties would obtain the same result: 20 percent.

It should be pointed out that, according to Norma's conclusions, many of those undecided (who make up 10 percent of those questioned) are hesitating, basically, in choosing between the CDS and PSD.

It should also be pointed out that the PS would receive a significant increase in votes if the present government coalition broke up. In fact, in this context, the party led by Mario Soares would obtain 29 percent of the votes instead of only 25 percent, having the AD as opponent in the electoral race. Thus, the coalition is continuing to represent an important political capital, attracting voters who would otherwise vote for the socialists.

The increase in the PS vote would show up particularly in the central region where this party could pick up another 7 percent of the votes if the AD did not compete.

If the APU broke up, its parties--the PCP and MDP [Portuguese Democratic Movement]--would also obtain, individually, a number of votes inferior in the overall to that of their coalition. In this case, the difference is less significant--the decrease would never go below 2 percent in the south and 1 percent in the other regions. Figured on the national basis, however, it is to be noted that the decrease would be about 3 percent. Thus, the APU also constitutes a poll for the attraction of votes which, in other circumstances, would be distributed to other groups.

Everything then indicates that, among the electoral coalitions, only the FRS, in turn, does not have the necessary prestige to attract a greater number

Chart 1 1980-1982 vote (Values in percentage)

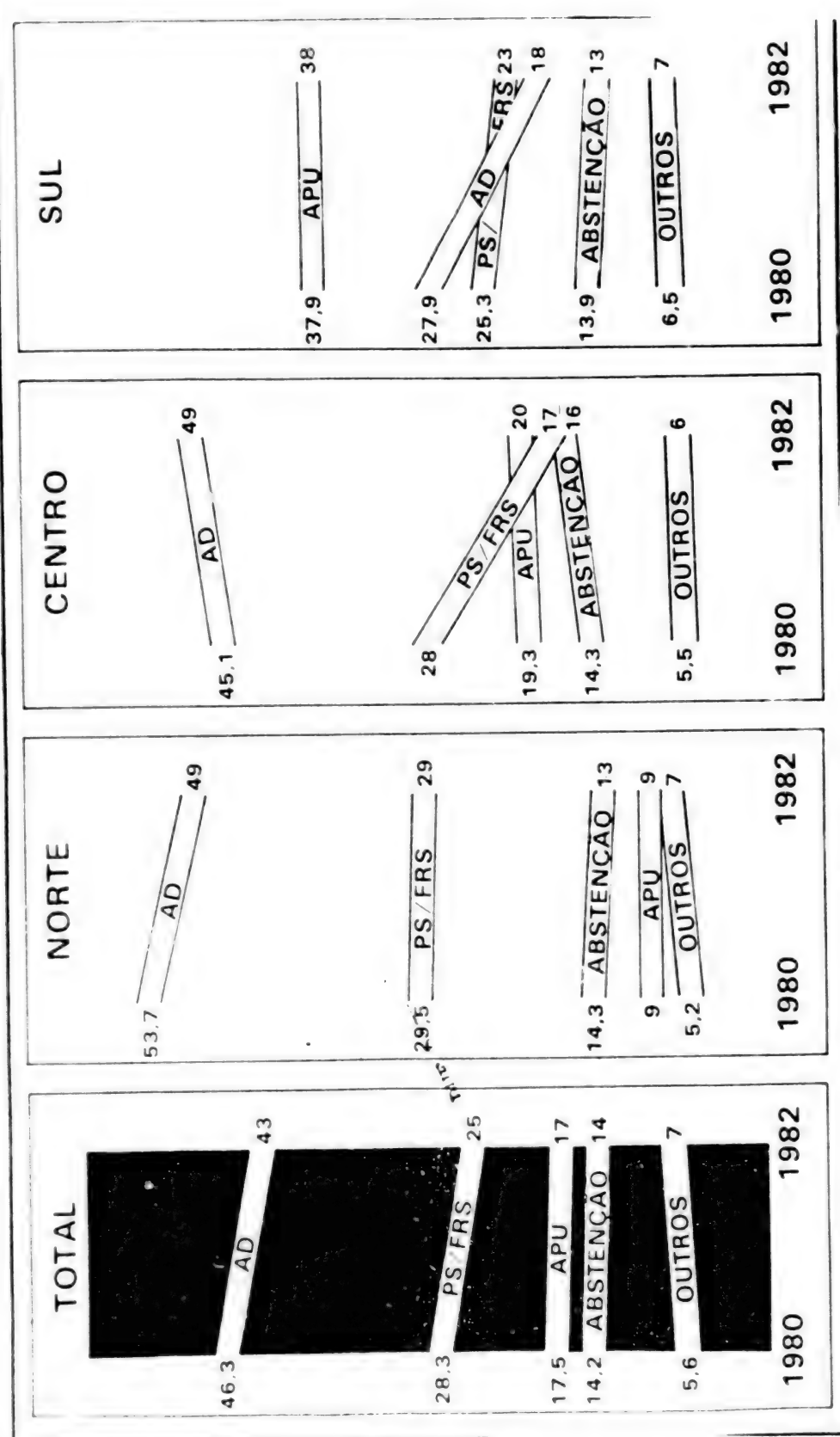
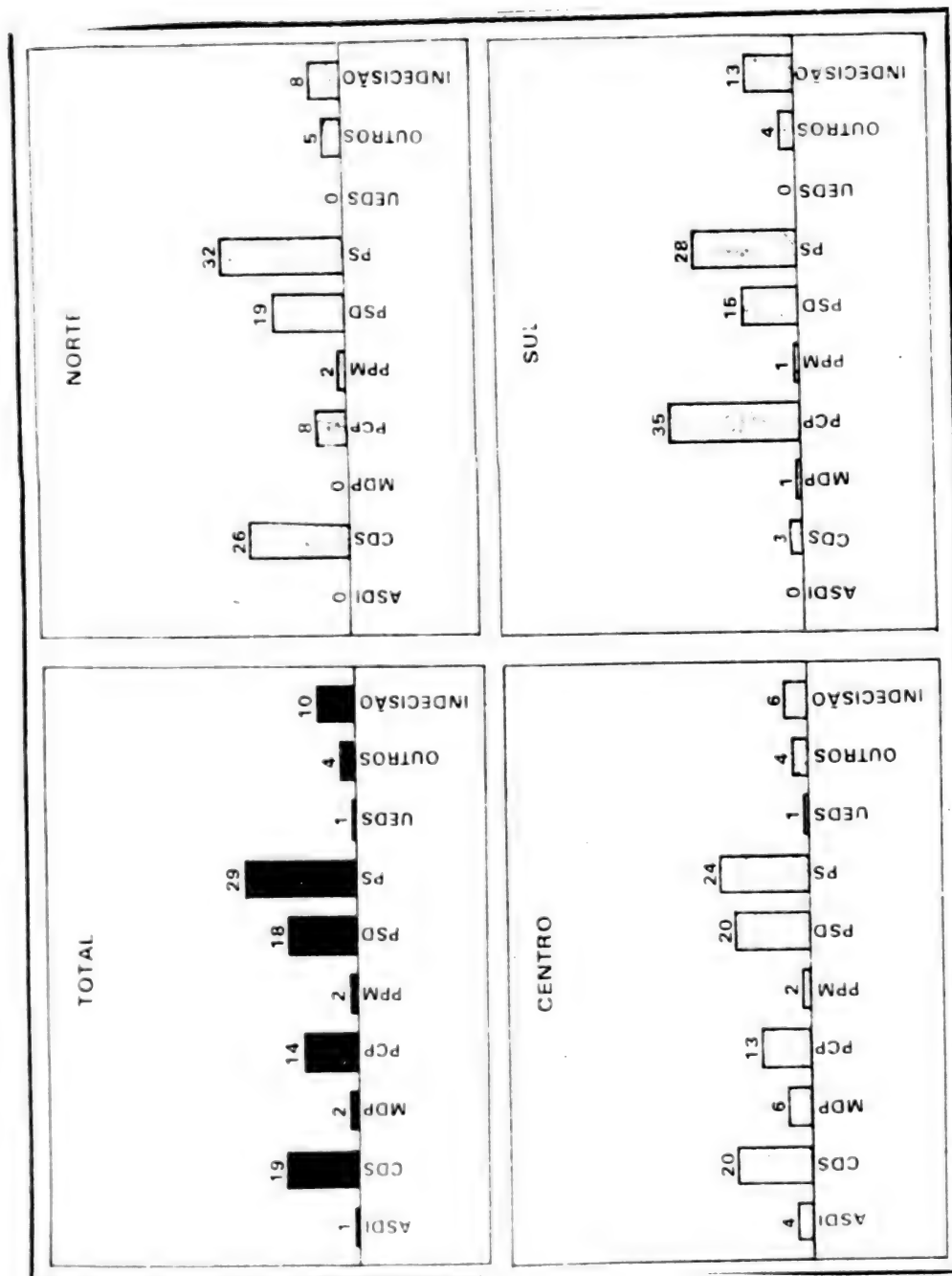


Chart - Vote Without Coalitions (Values in percentages)



of votes than its isolated parties. In any case, the results of the poll show Mario Soares to be right when he said that the FRS had been a bad proposition.

The Majority for Eanes

What would be surprising is the percentage of votes which would be obtained by a party led by Ramalho Eanes, if such a party existed. More than half of those polled gave a "yes" to that party, and only 35 percent would vote "no" (see Table I). Votes favorable to the current president amount to 50 percent or more in any of the three regions.

Table I Voting for the Party of Ramalho Eanes (Values in percentages)

	<u>Total</u>	<u>North</u>	<u>Central</u>	<u>South</u>
Yes	53	50	59	50
No	35	38	24	45
No answer	12	12	17	5

However, in this case, it should be pointed out that the voting form (also to be placed in a ballot box) scarcely gave an opportunity to choose or reject the party of Ramalho Eanes, not comparing it with other competitive political forces. Even so, it is certainly curious that, in another EXPRESSO/Norma poll published at the end of January, shortly after Eanes threatened to resign due to the constitutional revision process, only 27.9 percent of those polled declared that they would support a presidential party.

Ramalho Eanes is also the one person in this poll who breaks all records for being known by the people, well-liked and having prestige.

Among the national political figures, the current president of the republic is the one whom the greatest number of individuals polled said they knew--99 percent (see Table II). Then follow the four most important party leaders: Mario Soares, with 98 percent; Pinto Balsemao, with 97 percent; Spilhaus de Amaral, with 96 percent; and Alvaro Cunhal, with 95 percent. Close to these individuals we find only (and perhaps surprisingly) the former prime minister, Maria de Lurdes Pintasilgo, with 94 percent.

Table II Acquaintance and Prestige

Political Figure	<u>Acquaintance</u> (Values in percentages)				<u>Prestige</u> (Scale from 1 to 10)			
	<u>Total</u>	<u>North</u>	<u>Central</u>	<u>South</u>	<u>Total</u>	<u>North</u>	<u>Central</u>	<u>South</u>
President of the Republic	99	98	99	100	6.7	6.4	7.1	6.7
Prime Minister	94	97	98	98	4.9	5.2	5.0	4.1

Pinto Balsemao	97	97	96	99	4.4	4.7	4.3	3.6
Freitas do Amaral	96	95	97	97	4.7	5.2	4.2	3.6
Alvaro Cunhal	95	92	98	100	3.5	3.3	3.2	4.5
Maria Lurdes Pintasilgo	94	95	94	91	5.2	5.1	5.3	5.7
Ribeiro Teles	73	70	78	75	4.1	4.2	4.0	3.6
Cavaco Silva	56	54	59	59	4.8	5.1	4.7	3.9
Vitor Constancio	49	46	52	53	4.6	4.4	4.7	4.4
Marcelo Rebelo de Sousa	46	46	48	41	4.2	4.5	2.8	3.7
Vital Moreira	46	45	47	48	4.0	3.6	4.3	4.5
Rui Oliveira	30	33	29	24	3.7	4.1	3.3	2.9

The remaining individuals (of the group of 12 on whom those polled were asked to express an opinion) find themselves a few percentage points lower with regard to being known by the persons polled. Ribeiro Teles is well-known by 73 percent of those polled, followed by Cavaco Silva, with 56 percent, Vitor Constancio, with 49 percent, Marcelo Rebelo de Sousa and Vital Moreira, equally, with 46 percent and, finally, Rui Oliveira, with 30 percent.

Popularity and Prestige

To evaluate the degree of popularity attributed to these 12 persons, the individuals polled were asked to give a figure between 1 and 10 for each one. The figure 1 meant a total lack of popularity on the part of the political figure in question, and the figure 10 meant a maximum degree of popularity.

The result is shown in Chart 3. The percentages for each of the individuals were calculated only in relation to the entire group of persons who claimed acquaintance with them.

Ramalho Eanes draws the greatest number of voters with a rating of 10--20.8 percent of those who professed to know him, while Alvaro Cunhal breaks the record for the lowest rating: 42.6 percent of those who confirmed knowing him do not have the least liking for him.

Lastly, it was possible, having the figures on the acquaintance with and popularity of the political figures, to evaluate the level of prestige of each one--a value which varies in a scale of 0 to 10. Again it is to be noted that this level refers only to those who claimed to know the respective public figures.

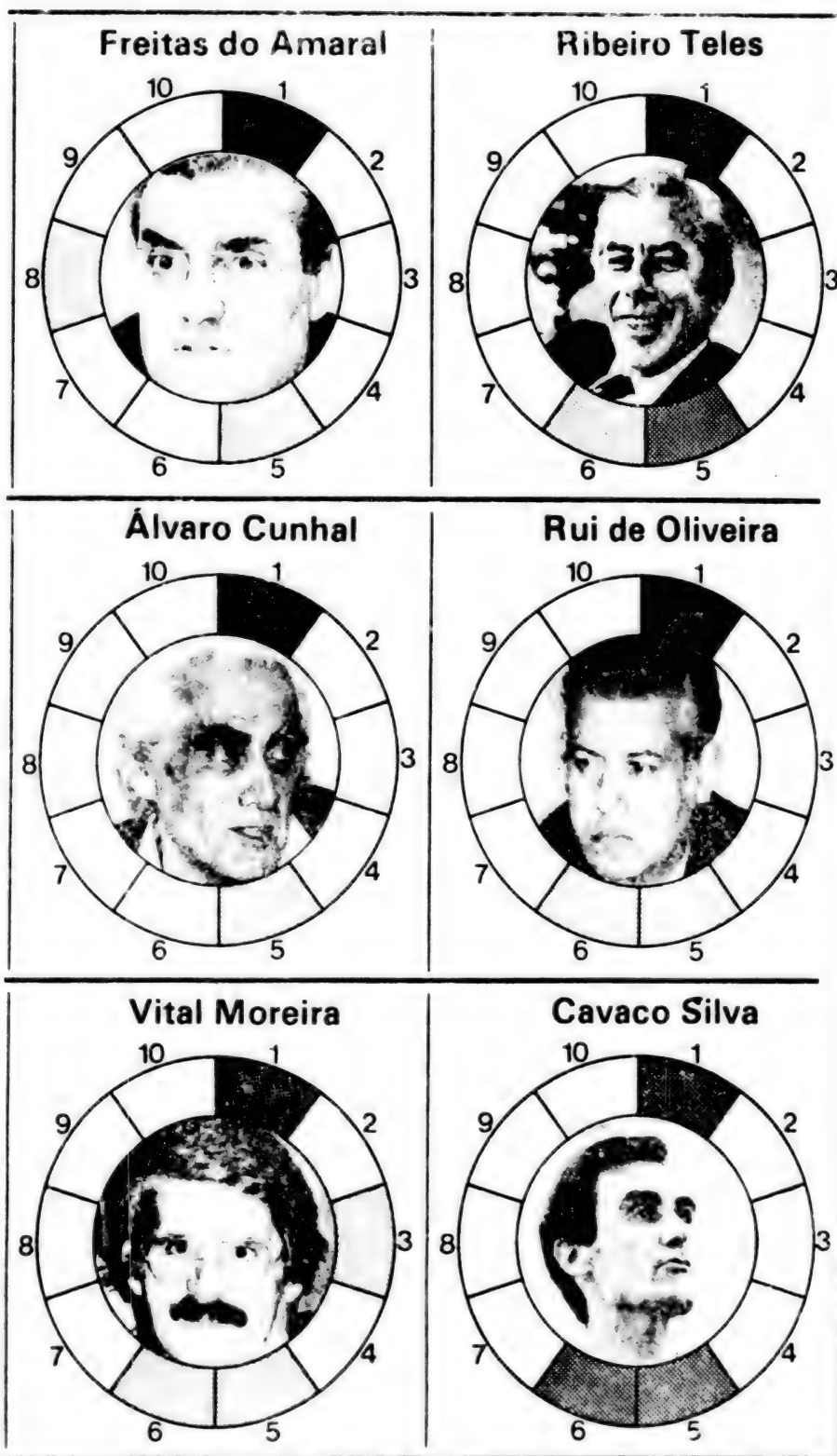
Again it is Ramalho Eanes who obtains the maximum value--6.7 (see Table II). He is again followed, with some astonishment, by Maria de Lurdes Pintasilgo, with 5.2. Then, very close behind, come Mario Soares (4.9), Cavaco Silva (4.8), Freitas do Amaral (4.7), Vitor Constancio (4.6) and Pinto Balsemao (4.4). At the end of the scale we find Alvaro Cunhal, with 3.5.

It is to be noted that the order of this list has nothing to do with what is revealed by the degree of acquaintance with the political figure. Specifically, the names of the four most important party leaders fail to appear here as a group, shortly after following Ramalho Eanes.

Chart III

Degree of Popularity of the Political Figures





0% a 20% 20% a 25% 25% a 30% 40% a 45%

Each of those polled was asked to give the political figures, individually, a rating between 1 and 10 based on whether the person polled had little or great liking for the figure in question. In the above chart, around each political figure are shown the percentages of the persons polled who gave a particular rating to the political individual in question. The 1 to 10 ratings advance clockwise. The darkest area corresponds to a greater percentage of persons who gave a rating corresponding to that percentage. The equivalence between percentages and shadings is thus explained above.

8568

CSO: 3101/60

FINLAND'S DEFENSE MINISTER COMMENTS ON SUBS OFF SWEDEN

Helsinki Helsingin Sanomat in Finnish 19 Aug 82 p 6

[Article by Vesa Santavuori: "Morttinen Asserts: 'Sweden Has No Sub Problems'"]

[Text] Stockholm—From all appearances it seems that submarines are no problem for Sweden, although people do talk about them a lot here. This is how we can learn from Finnish Defense Committee chairman Tapani Morttinen's (Conservative Party) view of the discussions the committee engaged in in Sweden.

The Finnish committee is on a 5-day visit to Sweden, familiarizing themselves with Sweden's defense arrangements. On Wednesday they were treated to a lunch hosted by Swedish Defense Minister Torsten Gustafsson. Morttinen said that Swedish military leaders of general-officer rank were also present on that occasion.

Morttinen stressed the fact that nothing was said about the hullabaloo caused by the submarine incidents at the Wednesday lunch, "which in itself demonstrates that the submarines are no problem for Sweden." Morttinen admitted that the matter was indeed unofficially discussed at the time of an earlier visit.

On the other hand, during the visit, which began on Sunday and ended on Thursday, there were several indications that perhaps more emphasis than usual was laid on the Finnish Defense Committee visit. Morttinen was of the opinion that our nations' defense problems are largely of the same kind and that the world situation has become tense.

On Monday the committee became familiar with Sweden's naval defense installations in Göteborg.

They also visited the Bofors ordnance plants. On Tuesday the guests were introduced to Swedish ground forces operations and on Wednesday in Stockholm they became familiar with Swedish defense policy decisions and were presented with a review of their hosts' foreign policy thinking.

"Finland Keeping Watch"

In the Swedish press, moreover, the rather malicious claim was made that Sweden is taking speedy action against submarines while Finland is peeking out from between its fingers at the matter (and is even letting submarines pass through its territorial waters).

"This is not true," Defense Committee chairman Tapani Morttinen said in Stockholm on Wednesday. "We (in Finland) are certainly keeping watch.

"But we must indeed admit that our parliamentary Defense Committee proposals have not been fully carried out, in terms of providing additional personnel, for example," Morttinen went on

"Surveillance could be made more effective by enlisting sufficient personnel in the service. Summer vacations also constitute a problem. At those and other times our scanty manpower resources find it very hard to handle these (surveillance) matters without special arrangements," Morttinen said.

He bypassed the question as to whether those surveillance problems arose when an unidentified submarine wound its way back south through the Aland Sea in June. In Sweden they claimed that the submarine had returned to its home port past the eastern side of the Aland Islands, that is, through Finnish territorial waters and blatantly violating them. "I certainly don't really still believe at this juncture that it sailed past the eastern side of the islands," Morttinen said. "Those waters are so immeasurably hard to navigate."

However, he did complain again about the shortage of manpower. "It is a major problem. In a first phase even only 100 men properly employed in the Navy, the Coastal Artillery, the Marine Corps and the Air Force could make surveillance more effective in quite a different way.

"They could maintain radar operations round the clock. If something were sighted somewhere, they could immediately send trained men, part of the permanent staff, by boat to find out what is involved. They cannot do that now."

In spite of his complaints, Morttinen emphasized that the surveillance situation in Finnish and Swedish coastal waters is at present as well "fully under control." With regard to submarines, he has noticed more "of that psychotic reaction."

"The news media have not had much to report," he said. And now what is going on is "the same thing that happened a couple of years ago when a whale was spotted in the Gulf of Bothnia. Everyone suddenly began to see whales."

In Morttinen's opinion, no dramatic incidents at all have occurred recently in Finnish and Swedish territorial waters. He felt that the situation could be worse, considering the fact that international tension has intensified these past few years.

after reporting

Marttinen said that submarines are sighted in Finnish waters much less often than is generally believed. With the exception of this year, less than one or two a year. Finland's coastal waters are much more difficult to navigate than Sweden's, in which sightings are reported several dozen times a year.

In Marttinen's opinion, submarine incidents should, however, be reported faster and more objectively than heretofore. He felt that the sighting made in the Åland Archipelago and revealed to be the auto ferry, "Viking Sally," was handled in an exemplary way when we think of armed forces reporting activities.

11,325

000: 11/7/71

ORGANIZATION, RESPONSIBILITIES OF TERRITORIAL COMMAND

Paris TERRE INFORMATION in French Jun 82 pp 4-5

[Article: "Territorial Command"]

[Excerpt] France's territorial military command is organized into 6 military regions, 22 military divisions (one per economic region), and 96 departmental military representatives (one per department).

Territorial Military Division (DMT)

The commanding general of a DMT exercises territorial command over all units within his geographical area of responsibility and is thus responsible for enforcement of garrison service regulations in army garrisons.

He is troop commander for the following: division headquarters company (CD), military preparatory instruction and training centers (CIPM), mobilization centers (CM), garrison headquarters (BG), and certain units and facilities specifically designated by the defense minister.

He is responsible for the recruitment of volunteers within his territory. To fulfill this responsibility he directs the activity of:

- a. The divisional military career information officer (one DDI per DMT headquarters);
- b. The CDAT's [Army Information and Reception Center] (approximately one per department).

With the assistance of a military preparatory instruction and training center, he organizes, directs, and monitors periods of military preparatory (PM) training such as PM paratrooper jump training sessions.

The commanding general is responsible for the preparation, supervision, and execution of the mobilization of units activated by mobilization centers and agencies stationed in his territory. He also has the task of training and administering reserve personnel.

As the officer responsible for Armee-Nation [community relations], he coordinates public relations and information activities within his territory.

As the regional prefect's defense adviser, he:

- a. Participates in the preparation of protection plans;
- b. Assists civil authorities in implementing civil defense measures;
- c. Keeps DOT (Territorial Operational Defense) plans up to date.

With the help of, inter alia, the Gendarmery, he guides the search for intelligence information and directs its collection.

He receives, if necessary, the regional commander's delegation of command authority over certain units located within his territory.

Departmental Military Representative (DMD)

As the departmental prefect's defense adviser, he represents the commanding general of the DMT in that department.

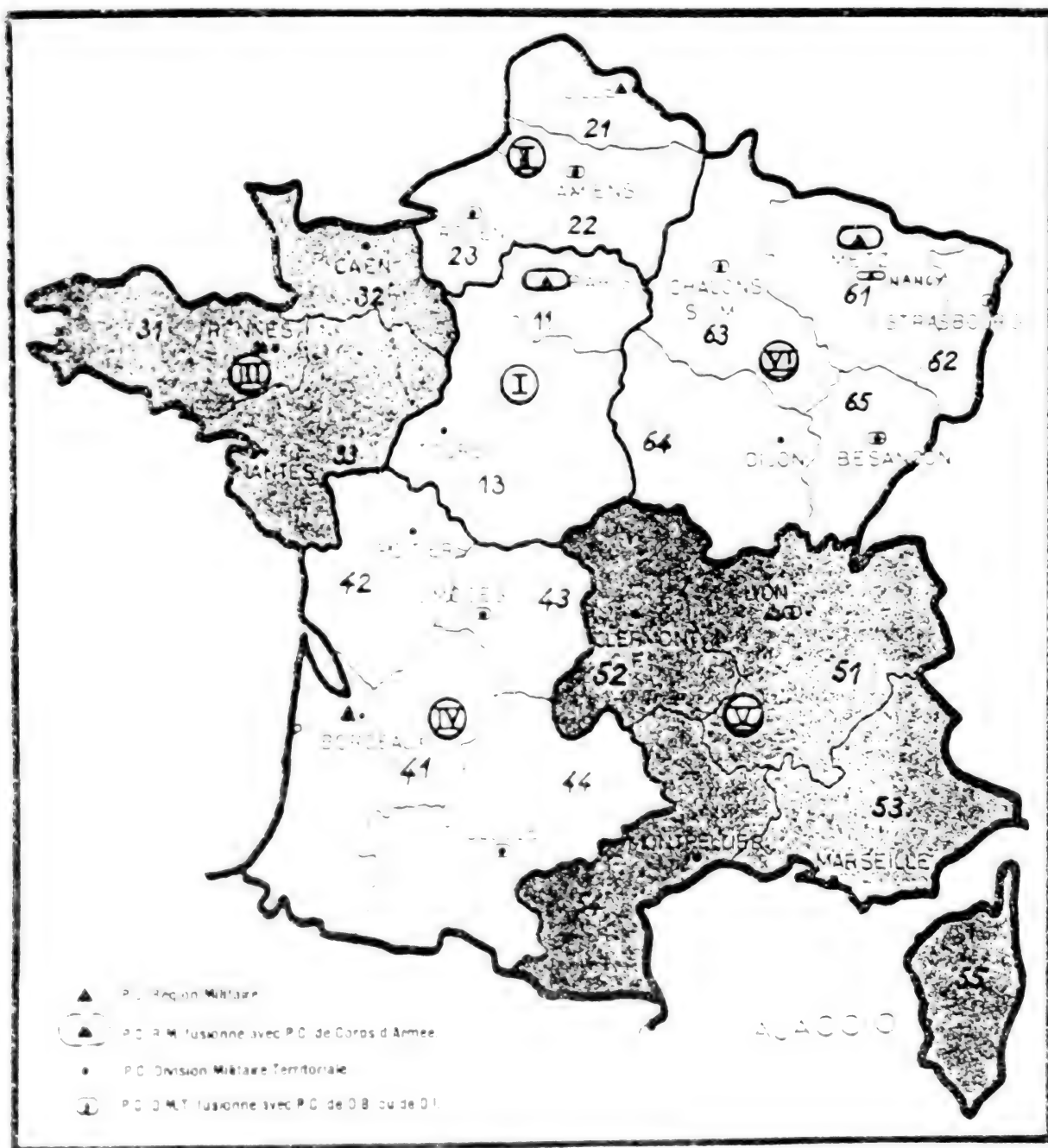
He is the mandatory channel of communication between military authorities and the prefect of his department.

He serves as:

- a. Visible representative of the career officer corps through the relations he maintains with civil authorities, the press, veterans associations, and reserve officers and noncommissioned officers.
- b. Coordinator of public information and relations activities in the department.
- c. Officer-in-charge of the Reserves Refresher Training Center (CEPR).

Territorial Command Combined With Operational Command

Some DMT's have been combined with combat divisions. These combined headquarters are: 22d DMT in Amiens and 8th Infantry Division, 23d DMT in Rouen and 12th Infantry Division, 43d DMT in Limoges and 15th Infantry Division, 44th DMT in Toulouse and 11th Airborne (Paratroop) Division, 51st DMT in Lyon and 14th Infantry Division, 61st DMT in Nancy and 4th Armored Division, 62d DMT in Strasbourg and 6th Armored Division, 63d DMT in Chalons-sur-Marne and 10th Armored Division, and 65th DMT in Besancon and 7th Armored Division.



1. Régions Militaires

2. P.C. de Corps d'Armée et P.C. de Division Militaire Territoriale

3. P.C. de Division Militaire Territoriale et P.C. de Division Militaire Territoriale

ROLE OF TECHNOLOGY, ELECTRONICS IN FALKLANDS WAR

Paris DEFENSE NOUVELLE in French 2d Quarter 82 pp 11-13

[Article by P.M.: "War and Technology in the Falklands"]

[Text] The Falklands conflict has confirmed the success of French high technology. The AM 39 Exocet missile responsible for sinking the "Sheffield," one of the Royal Navy's modern destroyers, was a French weapon launched from a French-built Super Etendard fighter flown by an Argentine pilot.

The Super Etendard recently replaced the Etendard IVM on the French Navy's aircraft carriers "Foch" and "Clemenceau." Both carriers required extensive refitting to accommodate this new aircraft. Steam catapults and flight deck arresting mechanisms had to be improved to handle its weight. But also, and above all, technical modification were required because of the Super Etendard's highly sophisticated electronic equipment. In fact, this aircraft's main innovation--another product of French technology--is its inertial navigation-attack system (SNA) with its associated computers and a radar designed principally to detect marine targets. The Super Etendard can be armed with a complete range of weapons. Yet the aforementioned AM 39 is primarily what makes this aircraft truly formidable. The Super Etendard's speed at 11,000 meters is Mach 1. It has a maximum combat radius of 750 kilometers and an endurance of approximately 2 hours.

The Exocet is actually a family of missiles, the first of which, the MM 38 naval surface-to-surface antiship version, was introduced some 10 years ago. It is an all-weather system that can be launched from all surface ships to destroy or neutralize any naval surface target. Before it is launched, the following data is programmed into missile's computer: speed of the launch ship or aircraft, and the true vertical position, range, direction, speed, and heading of the target. From the moment it is launched, Exocet is fully independent thanks to its fire-and-forget inertial and active homing guidance system (ADAC) developed by Marcel Dassault Electronics. In its terminal phase, the active radar seeker guides the missile onto the target. Exocet is a sea-skimming missile and the current state of the art, therefore, precludes detecting its approach. More than 20 navies are equipped with Exocet. Export sales account for 87 percent of its production.

The more powerful AM 39 was designed to be air launched from such aircraft as the Super Etendard and such helicopters as the AS 322F Super Puma, another successful French development.

The AM 39 has a maximum range of more than 50 nautical miles and a minimum range of less than 4 nautical miles. It has a speed of Mach 0.9, a target hit probability of more than 95 percent, a length of 4.687 meters, a diameter of 0.35 meters. It weighs 656 kilograms including its 156-kilogram warhead.

If the target is over the radar horizon, firing data can be relayed to the launching ship or aircraft from another ship or aircraft capable of acquiring the target.

As for the aircraft whose Exocet destroyed the "Sheffield," it was most likely at sufficient altitude for its own radar to acquire and lock on the long-range target and feed relevant data into the missile.

French Engineering Resources

It is an historical fact that the man in the street always overlooks the existence and especially the efficiency of French engineering resources. Yet in armament and electronics, French engineers have nothing to fear from others. Their know-how is evident. The lack of sufficient funds for research is offset, nonetheless, by our export sales. For example, more than 20 nations are equipped with our combat aircraft. Almost all NATO countries are armed with our antitank weapons and antiaircraft systems. Other countries have also purchased these weapons as well as armored vehicles from us. As for France itself, these arms help protect its borders and safeguard its territory. It is difficult to classify them as offensive or defensive weapon systems inasmuch as everything depends on the spirit in which they are to be employed.

Coastal Defense

Our coasts are protected by the MM 40 Exocet, a system similar to the ship-launched version, thus facilitating logistic support and maintenance. The MM 40 shore batteries each have three vehicle-mounted launch units. These cross-country vehicles give the system exceptional mobility.

Launch units can receive firing data from forward observation posts and radars situated cliffs above sea level or on platforms positioned at sea. Launch units can thus remain camouflaged in positions back from the coast. MM 40 units are almost invulnerable, except to "internal" sabotage. Our coasts are also defended by Otomat missiles capable of delivering a 210-kilogram warhead out to a range of more than 160 kilometers. A directional gyroscope system makes the launcher's azimuth completely independent of the target's bearing, thus a launch crew is free to lay the launcher in any direction. The system's range permits positioning the launcher back from the coast where it can take advantage of natural cover. As with the MM 40, coastal gun batteries, or airborne radars, or radars on naval platforms--or satellites--give the coastal defense capability to attack targets at very great distances.

Antitank weapons

Our engineers have not excelled merely in developing naval ship-launched and air-launched missile systems. The HOT (high-subsonic, optically-guided,

tube-launched] antitank missile has a stand-off capability enabling helicopters to engage armored vehicles at a range of 4,000 meters, thus placing the helicopter beyond the range of the target vehicle's weapons. The missile is 100 percent effective. Fire control and target acquisition systems coupled with night-flying and night-firing systems give our weapons exceptional capabilities. A helicopter equipped with such systems can take off in the darkest night regardless of the weather, and then fly at very low level to the target despite obstacles and while avoiding them. The HOT's infrared Venus [Stabilized error-sensing night sight] system, developed by TRT [Telecommunications, Radio, and Telephone Company], can acquire, recognize, and identify a target at 4,000 meters. It's error-sensing unit tracks and guides the missile from its launch tube onto the target. Its most effective range is 2,000 meters. A system that would be mounted in the pilot's helmet is currently under study. It would process all information despite any movement of the pilot's head and eyes. A computer transmits firing data to the missile. A detailed technical explanation of the system would be lengthy, but the end result is that the pilot, his aircraft, and the launch ramp form a single "robot unit."

HOT is not the only air-launched antitank missile. Frenchmen were the innovators of air-to-surface missiles with the SS-10's and SS-11's. These missiles were operationally tested for the first time in Algeria by the French Army's Helicopter Group No 2. Indeed that unit tried and tested--often in opposition to the views of the high command--the helicopter weaponry that has become what we see today. The wire-guided SS-12 has the striking power of a 155-millimeter shell and a range of 6,000 meters. These missiles can, of course, be fired from land vehicles. Although French rocket systems made by Thomson-Brandt cannot claim to be significantly superior to those of foreign manufacture, they are, nevertheless, extremely reliable and valued highly. But the Milan antitank missile system is a prime example of that French technology which has gained renown abroad. No individual antitank weapons can match the Milan which has a semi-automatic infrared night guidance system called Mira. The FRG and Great Britain have armed their forces with the Milan system. The missile has a 100 percent target hit probability at 2,000 meters and can penetrate any known triple-heavy armor plate. With Milan, we have come a long way from those former tactics of attacking tanks with Molotov cocktails and grenades.

Antiaircraft Defense

France's antiaircraft weapons also rank among the world's best and are employed by most Western nations. The Roland is a missile system designed for defense against low-level air attacks. Its mobility enables it to support fast-moving armored units. It can also be installed on board ships. This all-weather system can engage any incoming or outgoing target regardless of its speed and maneuverability (maximum g load of 8 g, in other words the maximum possible acceleration of gravity in aerobatic flying). With its surveillance radar and IFF interrogator, its fire control and tracking radar, and its infrared optical sight, the Roland system can provide effective air defense within a radius of 30 to 50 kilometers. The missile has a maximum speed of Mach 1.6, a maximum engagement range of 6,000 meters, and a minimum engagement range of 500 meters. Reaction time between target acquisition and missile launch is almost instantaneous.

We also have the Mach 2.3, air-transportable Crotale [surface-to-air missile]. This system has a pulse doppler surveillance radar and a reaction time of 6 seconds against the fastest flying target. Then there is the Shahine [surface-to-air missile] system with a 16-kilometer range and the capability of simultaneously handling 12 targets. The United States is producing the Roland under license. The U.S. Army considers it to be "the only all-weather, short-range surface-to-air antiaircraft defense system."

In addition, we have the Masurca long-range air defense missile. It has a range of 40 kilometers, and carries an 80-kilogram warhead at a speed of Mach 2.5 (like the Shahine). It is equipped with a semi-active radar homing guidance system. The Masurca can climb to an altitude of 23,000 meters. Our air-to-surface missile arsenal also includes the TV-guided Martel system with a range of more than 30 kilometers. Another version of the Martel has a passive radar guidance system but the same range as the TV-guided system. French air-to-air missiles include: the supersonic R550 Magic which has an infrared homing guidance system and a range of 18,000 meters, and the Super 530 which can reach an altitude of 21,000 meters at Mach 4.5. The Super 530 has a range of 30-35 kilometers and a semi-active pulse radar homing guidance system.

Success in Electro-Optics

Even though our research and development engineers are responsible for the weapon's warhead and its delivery vehicle's flight profile, these accomplishments definitely do not represent the real success of French scientific thought. That success lies rather in the electro-optics field. Electro-optics ["l'optique" in French] is a neologism encompassing all techniques of optics and electronics associated with physical phenomena. Television, for example, is a practical application of electro-optics technology. The electro-optics field ranges from quantum electronics to infrared optics. Yet everything is not that simple, in that the atmosphere and the weather must be taken into account. Then there are the different "windows," windows in the visible spectrum, near infrared spectrum, intermediate infrared spectrum, and far infrared spectrum. It is in telemetry, however, that French engineering has made a spectacular breakthrough in electro-optics. Thanks to the laser, for example, an observer can designate a target, the laser echo serving to guide the missile from its launcher situated much farther away and out of that target's range. This apparently was the technique used in the Falklands by British Royal Marine commandos to vector Sea Harrier jets. A single soldier often from enemy view uses a portable instrument to illuminate the designated target with a laser beam. The same observer can immediately determine the target's range and speed by means of a device about the size of a pair of binoculars, and transmit this data just as rapidly to a battery positioned some distance. The laser is likewise used, with the highpower laser weapon, instead of this electro-optic and inertial systems would not be sufficient. The "passive" laser. The latter is a passive sighting system which serves the role of "laser" within the band serving the missile. It is not, as some might think, a "death ray," but a device which serves the role of responding almost instantaneously with such accuracy that it can strike the desired part

of the target, and do this at ranges in excess of 1,000 kilometers.

War is a Simple Art

Let all of these means of destruction, and particularly those we have been discussing, signify that the large engines of war employed on sea or land battlefields are so vulnerable that war no longer exists or is becoming increasingly terrifying thanks to electronics? Such an inference is by no means certain. The single example of the direct hit on the "Sheffield" is a most humble one. Some commentators wished to see in that incident the invincible power of a single weapon against a fleet. It was said that the British armada had been "wounded" at a time that it was about to clash with Argentina's fleet. There had been talk of British sea power on which Great Britain has lived since time immemorial. How could one of Her Majesty's ships have possibly been hit in this way? It was because the "dice are loaded." Actually, people are deluding themselves about the real power of this British armada. Admittedly it is a large deployment. Admittedly the Argentine fleet is "held together by paint," as Admiral Sanguinetti has sarcastically remarked. But the British task force lacks one essential ship without which it runs great risks, as very recent events have shown. That "missing" ship is an aircraft carrier. Indeed it is incorrect to call the "Hermes" an aircraft carrier, a fact that Admiral Sanguinetti seems to have ignored in his interviews on television and in a mass-circulation weekly. All military commanders should know that no major combat operation can accomplish anything without air supremacy. The emperor Napoleon used to say that war is a simple art and entirely a matter of execution. "Modernism" has merely added a few elements. In our day and age, if we want to launch an offensive on land or at sea, we must strip other points and throw the full weight of our air cover into the principal attack or effort or into the area involved. Great Britain abandoned the aircraft carrier and did not realize that it had thereby lost its sea power. It no longer has the means of regaining that sea power. Near their coasts, the British will be supported by their interceptors based in Cornwall or Scotland. Once it is far from the British Isles, an armada is blind and defenseless if it does not have the necessary naval air strength, no matter how powerful it may otherwise be. The "Hermes" is officially listed as an ASW/CDO Carrier, in other words an antisubmarine warfare ship and Royal Marines Commando transport. Another similar ship, the "Invincible"--on sea trials as late as 1981--is not a Commando transport. But the "Invincible" and "Hermes" do carry VSTOL Sea Harriers. Yet these Harriers are "close support aircraft," meaning they cannot furnish long-range protection for the fleet. Here in France, our aircraft carriers--and they are genuine carriers--have Super Etendard and Crusader long-range, high-flying interceptors. These are what the British naval task force in the Falklands has lacked, and grievously so. What it really needed, and still needs, are its Lightning and Phantom fighter-interceptors.

How is a naval task force actually organized and deployed? In the center of the formation is the aircraft carrier--the largest and most important component--with its naval air units capable of conducting long-range search and reconnaissance, interception and strike missions. Positioned around the carrier in several concentric circles are protective escort ships: cruisers,

destroyers, and frigates, each assigned a specific mission, such as antisubmarine warfare and air defense, at different ranges. For instance, the long-range air defense screen covers a 70-kilometer radius, the low-level air defense screen a 15-kilometer radius. The protective lines formed by these ships have the capability of jamming enemy attacking aircraft. Had the British task force been equipped, as is normal, with interceptors, those aircraft would have intercepted the Super Etendard(s) at a distance of more than 70 kilometers from the "Hermes." They could have attacked the incoming aircraft, warned the task force, and the protective escort ships could then have been prepared to handle any aircraft having eluded the interceptors--if the attack were conducted by several Argentine aircraft--the moment they came within range. Each of the protective lines could have, in turn, delivered high- and low-level fire on the attackers.

But what actually happened? The Super Etendard, master of the air, did not even approach the task force. It launched its Exocet at maximum range on a ship that was not sailing alone but on station protecting the "Hermes." How did the Argentine Super Etendards acquire their target, the "Sheffield"? Probably, as we noted earlier, directly by itself thanks to the supersophisticated weapon system constituted by the aircraft and missile. In that case, however the Super Etendard's radar had to "see" the target. If, on the other hand, the "Sheffield's" location was relayed to the Argentine aircraft, this might have been done by first a satellite or perhaps a submarine. In any event, the Super Etendard was nearing the limit of its combat range. The distance between the Falklands and the nearest point on the Argentine coast is the same as the distance from Lille to Toulouse. So the Argentine aircraft could only launch its missile and return to base. It could not conduct any lengthy search operation. Thus this incident is the result of a remarkable happenstance coupled with the power of French technology or target intelligence furnished by a "friendly nation" having an "overview" of the area.

Characteristics of AM 39 Exocet

The AM 39 is an air-to-surface missile derived from the ship-launched MM 38. It has the following characteristics and performance: length, 4.687m; diameter, 0.33m; weight, 650 kg; maximum range, approximately 50 km (27 nautical miles); initial range, approximately 8 km (4.3 nautical miles); speed, about Mach 0.9; duration of flight, about 3 minutes; flight altitude, 15m to 2.5m; nuclear warhead, 100 kg.

Notes

- | | |
|--------------------------------|---------------------------|
| a. ADAC active radar seeker | g. Sustainer rocket motor |
| b. Guidance system | h. Booster |
| c. TRT radio altimeter | i. Aft equipment section |
| d. Inertial unit | j. Fins |
| e. Thermal calculator for ADAC | k. Control surfaces |
| f. Warhead | |

8041

CSO: 3100/915

COMMENTARY ON MAINTENANCE OF U.S. BASES

Athens TO VIMA in Greek 29 Aug 82 p 3

Article by Giannis Kartalis: "Thirty Years with the American Bases"

Text: A few days ago, a responsible government source described the so-called "Hellenization" of the American bases, that was "attained" by the ND government, as a "fiasco." And it is certain that this description is not even adequate since --even today-- the American bases in Greece are continuing to be administered by an unacceptable colonialist status that has been in force for some 30 years.

Indicative of the true situation prevalent in the American bases in Greece is the fact that even the famous "Hellenization" concerns only one of the four bases, namely the Ellinikon base, which is also the most visible since it is located right next to the entrance to the airport through which thousands of people enter every day.

Surprisingly as regards this base, it had been decided in 1976 that it be finally brought under the adjacent 129th Support Wing of the Greek Air Force with the raising of the Greek flag and the following sign written in Greek: "Greek Air Force, Ellinikon Air Base." The most important achievement for the Greek side (as Mr E. Averof, minister of national defense at the time, told parliament) was that the barbed wire that separated the American base from the Greek one was taken down!

The commander of the 124th Support Wing had, moreover, assumed control over the American and Greek personnel on the base. These were the "responsibilities" of the Greek commander, and it is clear that the real authority over both administration and control belonged to the American commander. It is also known that during the latest negotiations, that were suspended last June, the Americans had insisted on limiting the responsibility of the Greek commander to only the Greek section of the bases.

The Greek government is realizing that one way or another the administration of the bases in Greece can be nothing but symbolic since these bases are today part of a general defensive framework that goes beyond the bounds of Greece itself. It is sufficient to mention at this point that the processing of mail for the American base in Irakleion is done in Athens. The Greek side is finally to have Greek control (and not symbolic

administration) over the activities of the bases so as to avoid any possible leak of intelligence information to Turkey (as it seems to have occurred during the July-August 1974 crisis). At the same time, this control will permit preventing the use of the bases for an attack on third countries with which Greece maintains friendly relations, such as the Arab countries.

Guarantees

A lot of noise has recently been made over the famous issue of guarantees just as the government, in clarifying its position on the eve of the beginning of negotiations, stressed that "the written guarantees" of the Kissinger kind are not appropriate methods because "they create most evident dependence on one central power, without excluding the possibility that they may also be converted to points of arbitration." And that "in a final decision, the territorial integrity of a country, in case of a local war, is dependent on its own capabilities to defend."

Indeed, Prime Minister A. Papandreou stressed on 16 August, when he spoke at the Salonica Military School, that "Guarantees are things that are forgotten; as we look around us, it is sufficient just to take a few steps toward the Middle East to see that they are converted into points of arbitration." He subsequently said, "If we really wanted a guarantee, the greatest such guarantee is only the capability of the armed forces of our country to avert war because they are strong and are in a position to completely defeat any invader whatsoever."

It is to be mentioned at this point that on 15 April 1976 a "text of principles" had been signed in Washington between the then Minister of Foreign Affairs Bitsios and Kissinger that would have constituted the basis for the first Greek-American defense agreement which was initialled in July 1977, without ever having been signed.

Five days after the signing of this text, Mr Kissinger, in answering a letter from Mr Bitsios emphasized the following:

"You have asked me about our position on the solution of disputes in the Eastern Mediterranean, more specifically in the Aegean region. I would like to repeat our conviction that these disputes must be settled through peaceful procedures and that each party must avoid provocative actions. We have already expressed our conviction that no party should pursue a military solution in these disputes. This remains the policy of the United States. Consequently, the United States will energetically and unreservedly oppose the search by any party for a military solution (to the disputes) and will undertake the greatest efforts to prevent any such development of events." (We have maintained here the language of the official translation of the Ministry of Foreign Affairs.)

Extracting from this position, the American side refused in June 1981 to include the text of the Kissinger letter in the new agreement under negotiation. And in the most recent ceding, the then American Secretary of State Haig (during his meeting with the then Minister of Foreign Affairs Mitsotakis in May 1981 in Rome) had simply accepted that some sort of statement in Washington (in answer to a question in Congress) would exist that would mention that the Kissinger letter continues to be in effect. The issue of guarantees (in the form of guarantees from Washington) was also brought up by Mr. Psaridion last December before NATO in Brussels. What he was asking, however (and it was not accepted, with the result that Greece did not sign the final communique), was a general agreement by which the frontiers of a NATO country would be protected by the Alliance against attacks regardless of their origin (i.e. from another member of the Alliance).

The issue remains, and it is considered certain that the issue will once again come before NATO by Greece next December. What the government will not ask for, however, will be direct guarantees from the United States.

2.1.2.

It is, of course, not unknown that the Greek side has as its firm policy to depend on the maintenance of the status of the American bases in our country --but also the amount of American military aid that Greece is getting from the corresponding agreements of Washington and Ankara.

For that reason, when in April 1976 the signing of the first American-Turkish defense agreement was announced, Mr. Bitsios had written Mr. Kissinger that "the signing of the new agreement for defense cooperation between the United States and Turkey is creating problems and is raising serious anxiety in Greece." As to the right of this development, he asked "to discuss with you how the status of the American facilities in Greece must be regulated."

In the "Statement of Principles" that was agreed on at that time, the ratio of 1 to 10 had been essentially decided upon in the amounts of military assistance to be given Greece and Turkey. The agreement specifically provided for the commitment of providing Greece assistance in the amount of 700 million dollars each year for a period of 5 years. The corresponding American-Turkish agreement anticipated 7,000 million dollars.

Since then, the 1 to 10 ratio was continuously maintained in all the relative amounts of assistance. The American Government refused as always to assume the legal responsibility for the maintenance of this ratio, based on a law passed by Congress in 1953 relative to aid to Greece and Turkey.

It should be noted that the law states that military aid "must be granted in such a manner that the existing balance of military strength between the countries concerned is maintained (the balance between Greece and Turkey, must be insured."

The Greek interpretation of this sentence is that so long as "the existing balance" is derived from the granting of aid on a 7 to 10 ratio, in order to insure this balance in the future it would be necessary to continue the granting of aid on the same ratio. On the contrary, the Americans put forward the view that this law does not commit the American Government to any concrete percentage of aid but only with the general expression of assurance of balance.

The present Greek Government nevertheless considers that the 7 to 10 balance is a given fact and is not negotiable. What it intends negotiating is that this ratio not remain merely quantitative but that it should become primarily qualitative.

For example, procurement of an ultramodern aircraft is much more significant than the procurement of seven battle tanks since Turkey will have acquired 10. Moreover, the goal should be not only the assuring of ultramodern equipment but the strengthening of the Greek military industry.

Trade-Offs

However, beyond the assuring of balance, the negotiations over the bases are also linked to the one-time furnishing of trade-offs (i.e. a sort of rent) for the use of these bases. It is still not known, just as the Greek proposals have not yet been formulated, what concrete trade-offs the Greek side will now demand.

It is to be noted, however, that during the latest negotiations, Washington refused to satisfy the Greek claim for the one-time granting of 300-350 million dollars with which it would have procured electronic surveillance equipment and two "Hawkeye" electronic surveillance aircraft. On the other hand, the Americans offered 10 "Phantom" aircraft at the last moment.

This, in general terms, is the framework of the present status of the American bases in Greece. The government has emphasized that with the proposals that it will put forth to Washington, it will lay out the entire issue on completely new foundations, without, however, showing all of its cards yet. Nevertheless, the certain fact is that the negotiations that are scheduled to begin (next November at the earliest) will be long and tough.

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SO: 4621/441

BRIEFS

ARMS TO EGYPT--Spain's Bazan National Enterprise and ENASA [National Truck Manufacturing Enterprise] announced on Tuesday the signature of new agreements for the sale to Egypt of 8 naval craft--2 corvettes and 6 patrol boats--as well as 600 BMR armored vehicles. These are in addition to the 3,000 cross-country trucks whose sale was announced the previous week. The total amount involved in these agreements, considered to represent the largest sale of Spanish military equipment abroad, comes to \$1.4 billion. The eight war vessels are scheduled to be delivered by Bazan within the next 3 years. The two corvettes of the "Descubierta" class can be equipped with Exocet as well as Harpoon and Sea Sparrow missile-launchers. Patrol boats of the "Corporan" class which can reach a speed of 32 knots an hour can also be outfitted with Exocet missiles. As far as ENASA is concerned, this is its second agreement with Cairo following its signature last year of a contract for the sale of 7,000 trucks and 500 buses now being delivered. On its part, Bazan National Enterprise which, like ENASA, is a member of Spain's National Institute of Industry (INI), has indicated that it is now in the process of negotiations with the Philippines and Thailand as well as several Latin American countries, for the sale of corvettes of the "Descubierta" class and of "Corporan"-type patrol boats. [Text] [Paris LES ECHOS in French 2 Aug 82 p. 3] (260)

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THREATS, VIOLENT ACTS AGAINST IMMIGRANT WORKERS INCREASING

HELSINKI HELSINGIN SANOMAT in Finnish 12 Aug 82 p 20

[Article by Vesa Santavuori: "Racism Increasing in Sweden"]

HELSINKI, Stockholm--"It is now no longer a question of hatred directed at immigrants, but of outright racism," stated Sweden's Immigration Minister Karin Andersson in condemning acts of violence which have recently been directed against immigrants in Sweden.

Andersson met with Justice Minister Carl Axel Petri. The purpose was to deliberate possible actions to prevent acts of violence.

But work's animosity directed against foreigners seems to have gradually acquired more violent forms, which has made politicians and officials more sensitive to these events, particularly just before elections.

The police have established a special unit to protect immigrants and the Social Democrats, who are in opposition, are blaming the economically difficult times for these outbreaks of animosity. "The government is partly at fault for animosity against immigrants," argued the Social Democrats. Naturally, the central government completely rejects this allegation and talks more realistically about outright racism.

Andersson Minister Andersson believes that recent acts directed against Yugoslav and Chilean immigrants, among others, are only the work of small fascists and that they do not have the support of the general public in Sweden.

[Article by Vesa Santavuori]

The number of unfortunate incidents from the last few weeks alone is astonishingly high. Exceptionally long, state many.

Incidents, however, is clear, have been found at night in the vicinity of immigrant residential areas. Foreigners, go back from where

The appearance of burning crosses was accompanied by a statement from Ku Klux Klan leader Carl Frykborn, according to whom the burning of crosses is an excellent means of driving away undesirable individuals.

He only regretted that this intimidation is not always successful. He would not admit to participating in any violent acts.

Several have since recently foreigners have been attacked quite frequently in Sweden.

Youth Group Breaks Up Kiosk

The victim of the first assault was a Turkish kiosk attendant, whose hot-sausage stall was completely destroyed a few days ago in Trollbacken, a suburb of Stockholm.

The two Turks inside the kiosk said that they had feared for their lives when a group of more than 10 rowdy and drunken youth attempted to enter the kiosk and attack those inside.

From the point of view of public authorities the matter was made even more troublesome by the fact that the Turks stated that they phoned the local police at least 20 times and waited 2 hours before the police came.

"There was unrest elsewhere at the same time," was the official comment. The young people who attacked the kiosk also argued that those inside had provoked the group of noisy, drunken youth.

A group of so-called "skinheads" attacked a black man waiting for a metro train in the subway. When an immigrant who happened to come along attempted to help the black man, the gang knocked him down and a girl who was part of the group stabbed the man in the neck with a knife.

An unavoidable argument was instigated according to subsequent explanations defending the gang of youth.

A Bottle and a Pipe as Weapons

Perhaps the most callous incident was disclosed on Tuesday when it was reported that a certain Arab was attacked in the center of Stockholm.

The man was out for an evening walk when an automobile pulled up along side of him. Two men came out of the car and struck the Arab down with an iron pipe and a bottle. If several other people had not by chance arrived on the scene, the Arab would certainly have been murdered, estimated the Stockholm police.

It cannot be a question of robbery since the Arab had no valuables with him and there was no attempt to search his pockets. According to the interpretation of the police it was an apparent act of a racist.

In Sweden there are approximately 800,000 immigrants, of whom half are Swedish citizens according to the information released on Wednesday. There are approximately 400,000 Finnish-speaking immigrants in Sweden.

The latter-mentioned have been attacked "only" once in connection with the recent outbreak of incidents and this was in the form of a threatening phone call. In question was a Finnish-born woman married to a Turk. They were intimidated with death threats.

"The World's Lowest Race"

We do not generally publish anonymous letters sent to our newspaper, but this time we are making an exception. This letter represents the outbursts of passion directed against immigrants that occur from time to time in Sweden.

Why do you not take care of your own Finns. They make their way here to Stockholm. They do not have any kind of education. Indeed, Finns are the world's lowest race. Young girls are already pregnant when they arrive and they find work for a couple months in order to receive rent subsidy and child support -- this they know how to do. Africans, on the other hand, are sober and clean and dress neatly. Finns drink liquor in the subway. What rabble.

Stop the flow of Finns to Sweden. Only the dregs of society come from Finland. I would like to see the day when the Russians encircle all of Finland with the Iron Curtain.

Norwegians, Danes, and Germans, whom we like, do not come here -- they take care of their own affairs in their own country. Finns are like leeches which stick to Swedes. We do not like them. Only the indolent, drunks, and whores come from Finland. In our prisons there are 15,000 prisoners, they are Finns -- take them home.

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Sept. 27, 1982